Economist warns that buyers face increasing troubles

Source: CNBC

From a broad view, the U.S. housing market looks very healthy. Demand is high, employment and wages are growing, and mortgage rates are low. But the nation's housing market is assuredly unhealthy; in fact, it is increasingly mismatched with today's buyers. While the big numbers don't lie, they don't tell the real truth about the affordability and availability of U.S. housing for the bulk of would-be buyers.

Making sense of the story:

- First, several reports out this week point to both continued heat in home values as well as pushback from homebuyers. Prices remain nearly 6 percent higher than they were a year ago, nationally, with some local markets seeing double-digit annual price gains. Those prices are being driven by a severe lack of supply at the low end of the market, which is where the most demand exists. That means lower-priced homes are seeing bigger price gains than higher-priced homes because of the competition.

- At the same time, sales are falling, again, because there are too few homes on the low end, and the homes that are available are very expensive.

- Supply on the low end is tight because during the housing crash investors large and small bought hundreds of thousands of foreclosed properties and turned them into rentals. There are currently 8 million more renter-occupied homes than there were in 2007, the peak of the housing boom, according to the U.S. Census.

- Investors could take the opportunity of high prices and high demand to sell these properties, but today's high rents offer them better returns.

- Low supply of homes for sale might also seem like a great opportunity for the nation's homebuilders. Yes, they went through an epic housing crash, but they have since consolidated market share and righted their balance sheets. Homebuilders are simply not building enough inexpensive houses that the market needs.

- That is why sales of newly built homes, like existing homes, have been disappointing. The latest read on August new home sales from the U.S. Census surprised analysts with a 3.4 percent monthly drop, along with a rise in inventory. The homes are there, they're just not selling, and it's not hard to figure out why.

Full story
https://www.cnbc.com/2017/09/26/stop-sugarcoating-the-housing-market-economist-warns-that-buyers-face-increasing-troubles.html

In other news…

Tax reform proposal will hurt Californians

Source: Housing Wire

Republican leaders unveiled a tax plan that changes individual tax rates to 12 percent, 25 percent and 35 percent with the possibility for another higher bracket. It also lays out a 20 percent corporate tax, down from the current level of 35 percent. And while the plan mentions eliminating some business deductions and industry-specific incentives, however it did not include many details.

Previously, Treasury Secretary Steve Mnuchin reiterated that the mortgage interest tax deduction will stay put during the Trump administration. But just because the administration isn't getting rid of the mortgage deduction, it doesn't mean it can't be changed.

The proposed plan could hurt homeowners and the homeownership rate across the U.S.

"This proposal recommends a backdoor elimination of the mortgage interest deduction for all but the top 5 percent who would still itemize their deductions," said NAR President William Brown. "When combined with the elimination of the state and local tax deduction, these efforts represent a tax increase on millions of middle-class homeowners."

Other Realtor organizations agree, saying Californians could end up paying up to $3,000 more per year in taxes.

"The tax reform proposed by the Republican leadership will eliminate the incentive for people to buy homes, shrink the middle class, and raise taxes on hundreds of thousands of California homeowners," said Geoff McIntosh, California Association of Realtors president. "The doubling of the standard deduction, coupled with the elimination of state and local tax deductions, such as property taxes, will adversely impact California and its housing market."

Full story
https://www.housingwire.com/articles/41412-quick-reaction-trump-officially-rolls-out-republican-tax-plan

Fall may be the best time for buyers to move

Source: Realtor.com

A slower fall season in home buying may help more lingering home buyers to jump in.

Prices are easing somewhat. For the second month in a row, the median price of an existing home dropped. It reached $253,500 in August, after reaching a record high of $263,300 in June, according to the latest data from the National Association of REALTORS®.

"Median sales prices typically decline a bit heading into the fall," says Danielle Hale, realtor.com®'s chief economist. "Summer is a big time for home purchases, so that families settle in before school starts in the fall. In the fall, the types of homes that sell are smaller for people without kids. So they tend to be less expensive."

Existing homes are proving to be a bargain compared to newer homes. The median price of a new home reached $313,700 in July, which is 23.7 percent higher than an existing home.

Full story
https://www.realtor.com/news/real-estate-news/existing-home-sales-august-2017.amp/

Lenders continue to ease credit standards

Source: Fannie Mae

Lenders reportedly are loosening their standards to qualify for a mortgage. Fannie Mae's third-quarter 2017 Mortgage Lender Sentiment Survey shows the main reason behind the easing of credit has been the increased competition that lenders are feeling.

Across all loan types—GSE-eligible, non-GSE-eligible, and government—lenders reported easing credit standards over the last three months. Further, the net share of lenders who say they expect to ease credit over the next three months reached a survey high of 18 percent.

Loan demand has been down in recent months, as fewer homeowners refinance their mortgages. As such, lenders are reporting negative net profit margins for four consecutive quarters.

Full story
http://fanniemae.com/portal/media/corporate-news/2017/mortgage-lender-sentiment-survey-q3-2017-6606.html

August home sales tally best since 2005

Source: Orange County Register

Low interest rates and a strong economy continued to drive Orange County homebuying to a 12-year high in August, despite a severe shortage of homes to buy, particularly at the lower price ranges, housing numbers released Tuesday show.

CoreLogic reported 3,709 houses, condos and townhomes changed hands in August — the most for that month since 2005, and the fourth-highest tally for any month since June 2006.

“A shortage of available homes for sale continues to stoke robust growth in home prices,” Leslie-Appleton-Young, chief economist for the California Association of Realtors, said in a statement Monday.

“August marked the third straight month that the (statewide) median price gained 7 percent or more year-over-year, indicating that prices are not only growing but are accelerating into the end of the year.”

Full story
http://www.ocregister.com/2017/09/19/august-home-prices-dip-amid-strong-sales/

Why housing legislation won’t bring down costs anytime soon

Source: Sacramento Bee

California lawmakers this year took historic action to address what one housing economist says is the state’s most serious problem: unaffordability.

Democrats in the Legislature – and one Republican – have advanced to Gov. Jerry Brown a package of housing bills that seek to stem the bleeding. Through a spokesperson, Brown said he supports each of the 15 bills, which provide new funding for low-income housing development, seek to lower the cost of construction, fast-track building and restrict the ability of cities and counties to block new development.

Housing experts say it is the most ambitious move the state has taken in decades – and perhaps ever – to address the issue. They say it is “historic” in part because the state’s housing affordability crisis, with rising home values, skyrocketing rents and rampant tenant displacement, is unprecedented. As costs have grown since the recession, the state has done little until now.

But Californians should not expect the effects to be felt immediately. Even years down the road, the measures will not stop rents from increasing or home prices from trending upwards.

Full story
http://www.sacbee.com/news/politics-government/capitol-alert/article175541676.html

What you should know

- The highest interest rates in a month prompted a setback to the mortgage market last week.
- Total mortgage application volume—which includes applications for home purchases and refinancing—dropped 0.5 percent on a seasonally adjusted basis, the Mortgage Bankers Association reported Wednesday.
- Higher interest rates had a big impact on refinancing applications last week, which dropped 4 percent; applications are now 36 percent lower than a year ago when interest rates were nearly half a percentage point lower.
- The 30-year fixed-rate mortgage averaged 4.11 percent last week, up from 4.04 percent the week prior.
- However, applications for home purchases proved to be more rate-proof last week and increased 3 percent week over week.
- Applications for home purchases are now 4 percent higher than the same week a year ago.