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A Message from Jeffrey Chalmers:

"Are mortgage rates keeping up with market values?"

Home Prices Driven up by Inventories, Again

Not only did the pace of home price increases quicken nationally during the first quarter of 2018, but the National Association of Realtors® (NAR) said those **increases are felt in most metropolitan areas**. The national median existing single-family home price in the first quarter was \$245,500. This is a year-over-year increase of 5.7 percent from the median of \$232,000 in the same quarter last year. The annual increase in the fourth quarter was 5.4 percent.

Increases from the first quarter of 2017 were felt in 91 percent, or 162 of the 178 metro markets tracked by NAR. Fifty-three of the areas, or **30 percent of the total, saw prices increase by double digits**. Only 15 percent had increases of that magnitude in the fourth quarter of 2017.

Lawrence Yun, NAR's chief economist, again said it was **low inventories** of available homes that drove the increases as well as accounting in part for the slower existing home sales early in the year. "The worsening inventory crunch through the first three months of the year inflicted even more upward pressure on home prices in a majority of markets," he said. "Following the same trend over the last couple of years, a strengthening job market and income gains are not being met by meaningful sales gains because of unrelenting supply and affordability headwinds."

"Realtors® in areas with strong job markets report that consumer frustration is rising," he continued. "Home shoppers are increasingly struggling to find an affordable property to buy, and the prevalence of multiple bids is pushing prices further out of reach."

Existing home sales dipped by 1.5 percent in the first quarter of the year, to a seasonally adjusted annual rate of 5.51 million from 5.59 million in the fourth quarter of 2017. Sales were 1.7 percent lower than the 5.60 million annual pace during the first quarter of 2017.

Inventories slid again during the first quarter, ending the period at 1.67 million existing homes available for sale. This was **7.2 percent below** the 1.80 million homes for sale at the end of **the first quarter a year earlier**. The

National Average Mortgage Rates



	Rate	Change	Points
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Mortgage News Daily

30 Yr. Fixed	6.86%	-0.05	0.00
15 Yr. Fixed	6.31%	-0.02	0.00
30 Yr. FHA	6.32%	-0.06	0.00
30 Yr. Jumbo	7.04%	-0.03	0.00
5/1 ARM	6.53%	-0.02	0.00

Freddie Mac

30 Yr. Fixed	6.78%	-0.08	0.00
15 Yr. Fixed	6.07%	-0.09	0.00

Mortgage Bankers Assoc.

30 Yr. Fixed	7.00%	-0.03	0.60
15 Yr. Fixed	6.63%	+0.07	0.61
30 Yr. FHA	6.87%	-0.03	0.92
30 Yr. Jumbo	7.13%	+0.02	0.38
5/1 ARM	6.22%	-0.16	0.60

Rates as of: 7/26

Recent Housing Data

		Value	Change
Mortgage Apps	Jul 10	206.1	-0.19%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%

average supply during the first quarter was 3.5 months - down from 3.7 months in the first quarter of last year.

		Value	Change
Builder Confidence	Mar	51	+6.25%

Even as the national family median income rose to \$74,779, overall affordability declined in the first quarter due to rising prices and mortgage rates. To purchase a single-family home at the national median price, a buyer making a 5 percent down payment would need an income of \$55,732, a 10 percent down payment would require an income of \$52,779, and \$46,932 would be needed for a 20 percent down payment.

"Prospective buyers in many markets are realizing that buying a home is becoming more expensive in 2018," said Yun. "Rapid price gains and the quick hike in mortgage rates are essentially **eliminating any meaningful gains** buyers may be seeing from the combination of improving wage growth and larger paychecks following this year's tax cuts. It's simple: homebuilders need to start constructing more single-family homes and condominiums to overcome the rampant supply shortages that are hampering affordability."

Four of the five most expensive housing markets in the first quarter were in California, led by San Jose where the median existing single-family price was \$1,373,000; San Francisco-Oakland-followed at \$917,000; the Anaheim-Santa Ana area median was \$810,000 and San Diego-Carlsbad was \$610,000. Urban Honolulu was in fourth place at, \$775,500.

At the other extreme were Decatur, Illinois, \$73,000; Cumberland, Maryland, \$86,200; Youngstown, Ohio, \$91,300; Elmira, New York, \$100,800; and Binghamton, New York; \$103,000.

Because there is a concentration of condos in high-cost metro areas, the national median condo price is often higher than the median single-family price while in a given market area, condos typically cost less than single-family homes. The increase in condo and cooperative prices outstripped that for single family homes in the first quarter. In the 61 areas tracked by NAR, median prices were up 5.9 percent on an annual basis to \$231,700. Eighty-five percent of metro areas showed gains in their median condo price from a year ago.

Existing home sales in the **Northeast** region slipped 8.5 percent quarter over quarter and 8.1 percent year-over year. The median existing single-family home price in the region was \$267,400, a 4.6 percent annual increase.

Sales were down in the **Midwest** as well, falling 6.9 percent from the prior quarter and 1.8 percent from a year earlier. The median existing single-family home price in the Midwest grew 5.9 percent to \$187,100.

Sales in the **South** were up 3.7 percent for the quarter and 0.7 percent for the year. Home prices in the region gained 5.5 percent to \$220,400.

The **West** saw sales decrease of 1.1 percent in the first quarter which also trailed those a year earlier by 2.2 percent. Single-family home prices increased 8.2 percent to \$371,300.

Because Integrity Matters™

Jeffrey has spent the last three decades perfecting an Honest, Open and Transparent (HOT™) loan and closing process that is laser-focused on enhancing the consumer mortgage experience. By combining old-school, trustworthy customer service with real-time, mobile-friendly technology, he has successfully built thousands of loyal, raving fans.

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