



**Jeffrey Chalmers**

Senior Loan Officer, Movement Mortgage  
 NMLS #76803 - #39179 Licensed: CA, CT, FL, MA, ME, NH,  
 99 Rosewood Dr, Suite 270 Danvers, MA 01923

Office: (774) 291-6527  
 Mobile: (774) 291-6527  
 Fax: (855) 951-5626  
[jeffrey.chalmers@movement.com](mailto:jeffrey.chalmers@movement.com)  
[View My Website](#)

## Affordability Improves Even as Appreciation Accelerates

Are home price increases cranking up again? The quarterly report from the National Association of Realtors® (NAR) on existing home sales and metropolitan home prices seem to indicate that is the case. NAR says that the overwhelming majority of the metro areas they track experienced both price gains and very limited inventory growth in the third quarter of the year. Further, after months of decelerating price gains, the annual increase nationally in the third quarter was 5.1 percent.

"Incremental price increases are to be expected, but the housing market has been seeing reacceleration in home prices as more buyers want to take on lower interest rates in the midst of insufficient supply," said Lawrence Yun, NAR chief economist. "Unfortunately, income and wages are not rising as fast and will make it difficult to buy once rates rise."

The median price of single-family homes moved higher compared to the third quarter of last year in 93 percent of the metro markets, up from 91 percent in the second quarter of this year and the national median price increased from \$266,500 to \$280,200. Price increases were posted in 166 of the 178 markets with 96 of them having more than a 5.0 percent gain. **Ten areas had double-digit increases** including Montgomery (12.6 percent); Spokane (12.6 percent); and Salt Lake City, (12 percent).

Yun, who has repeatedly called for more homes to be built, said some areas may finally receive at least moderate relief on that front. "In some markets, yes, we're seeing construction companies ramp up plans to build more houses," he said. "But in an overall comparison of 2019 and 2018, fewer homes have been built. So, hopefully home builders will expand their plans in order to better address the national inventory shortage."

Price declines were experienced in several formerly high-flying California cities. The San Jose-Sunnyvale-Santa Clara remains the highest priced metro in the country with a median existing home price of \$1.24 million even after a 4.6 percent slide. Likewise, the second priciest market San Francisco-Oakland at a median of \$964,000, was down 2.5%.

Rounding out the top five areas in median prices were Anaheim-Santa Ana at \$826,000; Urban Honolulu, \$813,500; and Los Angeles-Long Beach-Glendale, Calif., \$649,600. San Diego remained in sixth place despite a decline of 0.8 percent.

## National Average Mortgage Rates



	Rate	Change	Points
<b>Mortgage News Daily</b>			
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
<b>Freddie Mac</b>			
30 Yr. Fixed	6.78%	-0.08	0.00
15 Yr. Fixed	6.07%	-0.09	0.00
<b>Mortgage Bankers Assoc.</b>			
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%

NAR said that home affordability improved in the third quarter as **historically low interest rates compensated for rising home prices**. Even as the median home price increased to \$280,200 the average monthly mortgage payment fell to \$1,033. When viewed as a share of the estimated national median family income of \$79,215, monthly mortgage payments fell to 15.6 percent from 16.5 percent in the second quarter and 17.4 one year ago.

	Value	Change
Builder Confidence	51	+6.25%

First-time home buyer affordability improved as well. The starter median home price in 2019 Q3 rose to \$238,200, but the monthly mortgage payment decreased to \$1,019, assuming 10 percent down. This brought down the qualifying income as well; it fell from \$50,976 in the second quarter to \$48,912 in the third. "It is promising that first-time buyers needed a lower level of income to afford a mortgage payment," Yun said.

At the end of 2019's third quarter, 1.83 million existing homes were available for sale, but that is 2.7 percent below total inventory at the end of 2018's third quarter. Average supply during the third quarter of 2019 was 4.1 months - down from 4.3 months the prior year.

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