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Entry-Level Homes Driving Price Appreciation

CoreLogic said on Tuesday that **home prices rose in October** by 0.9 percent compared to September and were 7.0 percent higher than 12 months earlier. These **increases are identical** to those registered on the company's Home Price Index (HPI) for September.

October was the fourth straight month that the HPI had increased by 0.9 percent. Monthly increases have averaged 1.08 percent over the first 10 months of 2017. The annual change for the year-to-date has averaged 6.87 percent.

"Single-family residential sales and prices continued to heat up in October," said Dr. Frank Nothaft, chief economist for CoreLogic. "On a year-over-year basis, home prices grew in excess of 6 percent for four consecutive months ending in October, the longest such streak since June 2014. This escalation in home prices reflects both the acute lack of supply and the strengthening economy."

The HPI has increased on an annual basis **every month since February 2012** and prices are now 0.9 percent higher than at the peak set in April 2006. Adjusted for inflation the annual increase in October 2017 was 5.4 percent. Figure 2 shows the cumulative price movement for both the nominal and the inflation adjusted HPI since the first price declines in 2008.

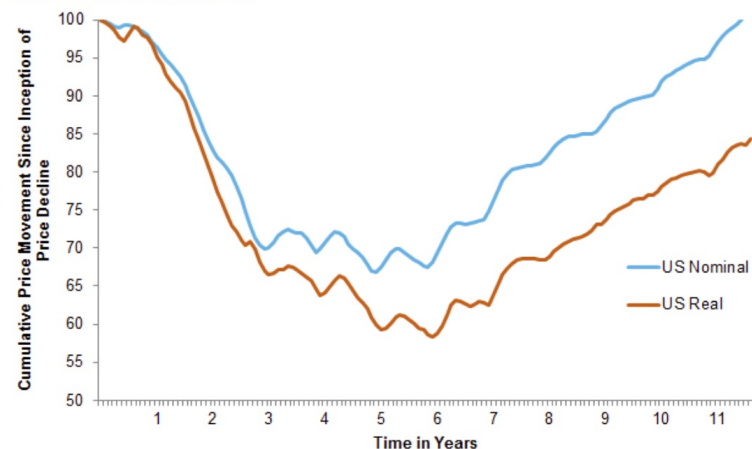
National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	6.43%	+0.02	0.00
15 Yr. Fixed	5.95%	0.00	0.00
30 Yr. FHA	5.82%	+0.02	0.00
30 Yr. Jumbo	6.62%	0.00	0.00
5/1 ARM	6.28%	-0.01	0.00
Freddie Mac			
30 Yr. Fixed	6.35%	-0.51	0.00
15 Yr. Fixed	5.51%	-0.65	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	6.44%	-0.06	0.54
15 Yr. Fixed	5.88%	-0.16	0.68
30 Yr. FHA	6.36%	-0.06	0.85
30 Yr. Jumbo	6.75%	+0.07	0.39
5/1 ARM	5.98%	-0.27	0.65

Rates as of: 8/30

Figure 2: HPI Price Declines From Peak
First Month of Price Decline = 100



Sources: CoreLogic HPI, Bureau of Labor Statistics, IHS Global Insight © 2017 CoreLogic, Inc. All Rights Reserved

Recent Housing Data

		Value	Change
Mortgage Apps	Aug 28	226.9	+0.49%
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%

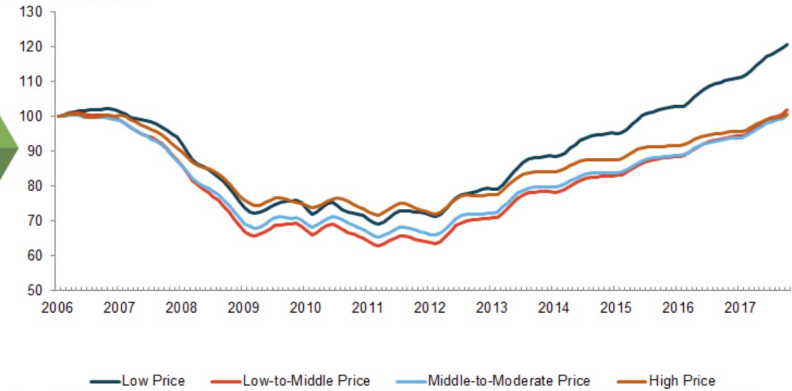
	Value	Change
Builder Confidence	Mar 51	+6.25%

Washington was again the best performing state with a 12.5 percent price gain year-over-year. Utah and Nevada trailed, each at 10.1 percent. Prices in Idaho rose 9.0 percent and Michigan, the only leader outside of the West, tied with Colorado for fifth place at 8.2 percent.

CoreLogic looked at its HPI across four home price tiers that are calculated relative to the median national home sale price. The lowest tier increased 9.5 percent on an annual basis, the low-to-middle tier was up 8.5 percent, the middle-to-moderate group rose 7.2 percent and the highest price tier was up 5.7 percent.

Figure 1: HPI by Price Segment

Indexed to Jan 2006



Source: CoreLogic October 2017 ©2017 CoreLogic, Inc. All rights reserved

The low-price and low- to middle-price tiers are the only price tiers to pass their pre-housing-crisis peaks, by 18.2 percent and 0.7 percent, respectively. The middle- to moderate-price tier remains 0.2 percent below its peak, and the high-price tier remains down 0.1 percent.

"The acceleration in home prices is **good news** for both homeowners and the economy because it leads to higher home equity balances that support consumer spending and is a **cushion against mortgage risk**," said Frank Martell, president and CEO of CoreLogic. "However, for entry-level renters and first-time homebuyers, it leads to tougher affordability challenges. According to the CoreLogic Single-Family Rent Index, rents paid by entry-level renters for single-family homes rose by 4.2 percent from October 2016 to October 2017 compared with overall single-family rent growth of 2.7 percent over the same time."

Looking ahead, the CoreLogic HPI Forecast indicates that home prices will increase by 4.2 percent on a year-over-year basis from October 2017 to October 2018, and on a month-over-month basis home prices are expected to decrease by 0.2 percent from October 2017 to November 2017.