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Inflation Data Shows Deceleration in Housing Costs

While the Labor Department's Employment Situation Report for June showed **wages plodding along** at a 2.7 percent annual increase, unchanged from May, it is still being outstripped by rising costs, especially for housing. Today's Consumer Price Index (CPI) report shows consumer costs overall were up 2.9 percent with the shelter portion rising 3.4 percent over the last 12 months.

Shelter is one of the categories in the CPI's "market basket," the goods and services that the Bureau of Labor Statistics (BLS) considers necessary for day-to-day living. The CPI does not include housing units which it views as capital or investment rather than consumption items. Shelter is viewed as a "service" provided by that investment and is thus a consumption item.

The cost of shelter is broken down into two components. For renter occupied housing the cost is **rent**. For an owner-occupied unit, it is the **implicit rent** that owner occupants would have to pay if they were renting their homes or owner's equivalent rent (OER).

The cost of shelter has been **slowing** in recent months. The June increase was 0.1 percent following a 0.3 percent gain in May and increases averaging 0.28 percent in the first five months of the year.

Data regarding rents in multi-family housing units track closely with the CPI shelter data. Yardi Matrix's Multi-Family National Report reports rents are **up 2.9 percent** year-over-year in June, to an all-time high of \$1,405, and puts the month-over-month increase at 0.2 percent, or a \$14 gain.

That report also notes a **slight slowing**. Rents were up 2.6 percent during the first half of the year, but only 2.1 percent in the second quarter. It notes however that "the market is in the middle of a four-year period in which 1.2 million units are being added in some previously high growth metros such as Nashville, Portland, and Austin."

Orlando continues to have the strongest multi-family housing market with rents up by 7.4 percent year-over-year.

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

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%