



## Mike Baker

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## Existing Home Sales and Prices Surge Despite Rate Increases

Existing home sales kicked off 2017 with a spurt that brought sales of single family homes, townhomes, condos, and cooperative apartments to the **fastest pace in nearly a decade**. The National Association of Realtors® (NAR) said January sales were up 3.23 percent from December to a seasonally adjusted annual rate of 5.69 million units. At the same time, December's sales were revised higher than the first estimate, from 5.49 million to 5.51 million units.

The January number was **up 3.8 percent** from the 5.48 million pace in January 2016 and exceeded the previous post crisis high set in November to become the strongest month for sales since the peak of 5.79 million units in February 2007.

Analysts polled by MarketWatch had been looking for an increase in January but not one as significant. Their consensus was 5.57 million units.

**Single-family** home sales grew 2.6 percent to a seasonally adjusted annual rate of 5.04 million in January from 4.91 million in December 2016, and are now 3.7 percent above the 4.86 million pace a year earlier. Existing condominium and co-op sales leapt 8.3 percent to a seasonally adjusted annual rate of 650,000 units, an annual acceleration of 4.8 percent.

Lawrence Yun, NAR chief economist, says the market appears to be **resilient** despite the rising interest rate environment. "Much of the country saw robust sales activity last month as strong hiring and improved consumer confidence at the end of last year appear to have sparked considerable interest in buying a home," he said. "Market challenges remain, but the housing market is off to a prosperous start as homebuyers staved off inventory levels that are far from adequate and deteriorating affordability conditions."

The median existing-home price for all housing types in January was \$228,900, **up 7.1 percent** from last January's median of \$213,700. This was the fastest gain since January 2016 when prices rose 8.1 percent year-over-year, and marks the 59<sup>th</sup> consecutive month of annual gains.

The median existing single-family home price was \$230,400 in January, up 7.3 percent from a year earlier. The median existing condo price was \$217,400, a 6.2 percent increase.

## National Average Mortgage Rates



	Rate	Change	Points
<b>Mortgage News Daily</b>			
30 Yr. Fixed	7.07%	<b>+0.02</b>	0.00
15 Yr. Fixed	6.45%	<b>0.00</b>	0.00
30 Yr. FHA	6.51%	<b>+0.02</b>	0.00
30 Yr. Jumbo	7.26%	<b>0.00</b>	0.00
5/1 ARM	7.02%	<b>-0.01</b>	0.00
<b>Freddie Mac</b>			
30 Yr. Fixed	6.86%	<b>-0.01</b>	0.00
15 Yr. Fixed	6.16%	<b>+0.03</b>	0.00
<b>Mortgage Bankers Assoc.</b>			
30 Yr. Fixed	7.02%	<b>-0.05</b>	0.65
15 Yr. Fixed	6.60%	<b>-0.15</b>	0.55
30 Yr. FHA	6.87%	<b>0.00</b>	0.92
30 Yr. Jumbo	7.18%	<b>-0.03</b>	0.54
5/1 ARM	6.45%	<b>+0.08</b>	0.81

Rates as of: 6/28

## Recent Housing Data

		Value	Change
Mortgage Apps	Jun 12	208.5	+15.58%
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%

The **inventory** situation improved modestly, rising 2.4 percent over the month to 1.69 million available homes for sale. This is still 7.1 percent lower than in January 2016 where there were 1.82 million listings. The inventory has now shrunk year-over-year for 20 straight months. The 1.69 million homes are estimated to represent a 3.6-month supply at the current rate of sales, identical to that in December.

Properties typically stayed on the market for **50 days** in January, down from 52 days in December and 64 days a year earlier. Short sales were on the market the longest at a median of 108 days, foreclosures sold in 51 days and non-distressed homes took 49 days. Thirty-eight percent of homes sold in January were on the market for less than a month.

"Competition is likely to **heat up even more** heading into the spring for house hunters looking for homes in the lower- and mid-market price range," added Yun. "NAR and realtor.com's new ongoing research, the Realtors Affordability Distribution Curve and Score, revealed that the combination of higher rates and prices led to households in over half of all states last month being able to afford less of all active inventory on the market based on their income."

NAR President William E. Brown, cautions about another source that could possibly drag down inventory for would-be buyers in coming months. "Supply and demand imbalances continue to be burdensome in many markets, and now Fannie Mae is supporting a Wall Street firm's investment in single-family rentals," he said. "This will **only further hamper tight supply** and put major investors in direct competition with traditional buyers." He says the GSEs should focus on lowering "overly burdensome fees" and help qualified borrowers become homeowners.

The share of **first time buyers** ticked up 1 percentage point from both December and the previous January to 33 percent of buyers. The average across all of 2016 was 35 percent. Individual investors accounted for 15 percent of transactions, unchanged from December and down 2 percentage points annually. Fifty-nine percent of investors paid cash and 23 percent of all home sales were all-cash.

Five percent of home sales in January were foreclosures and 2 percent were short sales, about the same as a month earlier. Distressed sales overall had a 9 percent share a year earlier. Foreclosures sold for an average discount of 14 percent below market value in January (20 percent in December), while short sales were discounted 10 percent (unchanged from December).

Existing home sales made a **strong showing** in three of the four regions, falling only in the Midwest. Sales in the Northeast jumped 5.3 percent to an annual rate of 800,000 units, and are now 6.7 percent above a year ago. The median price in the Northeast was \$253,800, a 2.5 percent annual increase.

Sales were down by 1.5 percent month-over-month in the **Midwest**, and 0.8 percent year-over-year to an annual rate of 1.29 million. The median price rose 6.5 percent to \$174,900.

Existing-home sales in the **South** in January gained 3.6 percent to an annual rate of 2.31 million units, and are now 3.1 percent higher for the year. The median price in the South was \$201,400, a 9.2 percent increase.

Sales in the **West** increased by 6.6 percent and 8.4 percent over the two earlier periods to an annual rate of 1.29 million units in January. The median price in the was \$332,300, a 6.8 percent change.

## Real Talk

At The Rate Shop, we're not your average mortgage banker. We specialize in bringing you ridiculously low interest rates that will make you wonder what the other guys are doing. In fact the ONLY objection we ever hear is "your rates sound too good to be true". Well they're not, and here is why...

After 15 years in the retail banking world I was frustrated with the high interest rates that came from that business model. As I looked around at all the bloated layers of management and their expensive salaries and the overhead of running a larger company (think rent costs, employee health and benefit costs, payroll taxes, and on and on) it dawned on me that I was a part of the problem, and the solution, for me at least, was so easy to see.

Start my own mortgage brokerage shop. No expensive executive salaries, no expensive building to pay rent at, no unnecessary employees and all the costs that are associated with that. What happens when you cut out all the fat? You can provide lower rates and lower closing costs. It's simple. Now here is the best part, you still get great service from a local Kansas City Lender. My mission is to let everyone know that low rates and great customer service are NOT mutually exclusive.

Thanks for coming along on this journey where Low Rates meet Great Service. The two do NOT have to be mutually exclusive. It's just a lie that the big box mortgage companies have been telling you for years. Don't believe me? Give me a call or shoot me a text on my personal cell phone today and compare my rates and costs up against any other lender in the country, and be prepared to be blown away.

**Mike Baker**

