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## Realtors Say Ultra-Tight Inventories Made Q3 Housing "Underwhelming"

The rate of appreciation slowed a bit, but **home prices** both nationally and in most major metropolitan areas **grew substantially** in the third quarter of 2017. The National Association of Realtors® (NAR), which released the price data on Thursday, said tight inventory kept home prices rising "at a steady clip," while it also pinched sales growth.

The median price nationally of an existing single-family home in the third quarter was \$254,000, up 5.3 percent from the same quarter in 2016. The second quarter year-over-year gain was 6.1 percent.

NAR tracks prices in 177 metropolitan statistical areas (MSAs) and prices in 162 of them (92 percent) showed increases in the third quarter compared to 93 percent a year earlier. Fifteen MSA's (8 percent) recorded lower median prices year-over-year. Metro area condominium and cooperative prices in the 61 metro areas in which these sales are tracked had a median condo price of \$237,200, up 5.4 percent year-over-year. Ninety-three percent of tracked areas showed gains in median condo price from a year ago.

Among those metro areas where prices increased, 19, or 11 percent, **experienced double-digit gains**. While only 87 percent of the MSAs had posted rising prices in the second quarter, a larger number, 23 or 13 percent, of the increases exceeded 9.9 percent.

Lawrence Yun, NAR chief economist, calls housing performance in the third quarter "underwhelming." "The stock market's climb to new record highs, the continued stretch of outstanding job growth and mortgage rates under 4 percent kept homebuyer demand at a very robust level throughout the summer," he said. "Unfortunately, the pace of new listings were (sic) **unable to replace** what was quickly sold. Home shoppers had little to choose from, and many had to outbid others in order to close on a home. The end result was a slowdown in sales from earlier in the year, steadfast price growth and weakening affordability conditions."

He added, "While there was some moderation in price appreciation last quarter, home prices still far exceed incomes in several parts of the country - especially in the largest markets in the South and West where new home construction simply is not keeping up with job growth."

## 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%

Quarterly **existing-home sales**, including single family and condos, slipped 3.1 percent to a seasonally adjusted annual rate of 5.39 million from 5.56 million in the second quarter, but remained 0.2 percent higher than the annualized 5.38 million sales in the third quarter of 2016.

Builder Confidence	Mar	51	+6.25%
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The inventory continued to fall in the third quarter; there were 1.90 million existing homes available for sale. This marked a decline of 6.4 percent from the 2.03 million homes for sale at the end of the third quarter in 2016.

The national median family income ticked up slightly in the third quarter, but NAR said the increase did little to overcome the weakening affordability brought by higher interest rates and rising home prices. To purchase a single-family home at the national median price, a buyer making a 5 percent down payment would need an income of \$55,142, a 10 percent down payment would require an income of \$52,240, and \$46,435 would be needed for a 20 percent down payment. The national median income in the third quarter was \$71,775.

"Affordability pressures are frustratingly occurring in places where jobs are plentiful and incomes are rising," added Yun. "Without a significant boost in new and existing inventory to alleviate price growth, job creation could slow in high cost areas in upcoming years if residents begin exiling to more affordable parts of the country."

The five most **expensive housing markets** in the third quarter were the San Jose metro area, where the median existing single-family price was \$1,165,000. The others high priced areas were San Francisco, \$900,000; Anaheim-Santa Ana, California, \$790,000; urban Honolulu, \$760,200; and San Diego, \$607,000.

The five lowest-cost metro areas in the third quarter were Decatur, Illinois, with a median home price of \$86,300; Youngstown-Warren-Boardman, Ohio, \$88,900; Cumberland, Maryland, \$96,400; Wichita Falls, Texas, \$113,800; and Elmira, New York, \$117,300.

NAR also reported on existing home sales and prices on a regional basis. Sales in the **Northeast** dropped 7.9 percent in the third quarter and were down 0.5 percent from the third quarter of 2016. The median price was \$283,800, up 4.1 percent from the year before.

In the **Midwest**, existing-home sales declined 3.3 percent and are 0.8 percent below a year ago. The median home price increased 5.6 percent to \$202,400.

Sales in the **South** were down 4.4 percent for the quarter, but were 0.2 percent higher year-over-year. The median home price rose 5.5 percent to \$226,100.

Existing home sales in the **West** rose 2.8 percent and 1.9 percent for the quarter and the year respectively. A 7.0 percent increase brought the median home price to \$373,700.

## 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**

