



Mike Baker

Head Interest Rate Shopper, The Rate Shop
 Individual NMLS: 259076 Company NMLS: 2554765 State
 23211 W 45th St Shawnee, KS 66226

Office: 913-213-3335
 Mobile: 913-213-3335
mike@rateshopkc.com
[View My Website](#)

Is The Housing Market Booming Again?

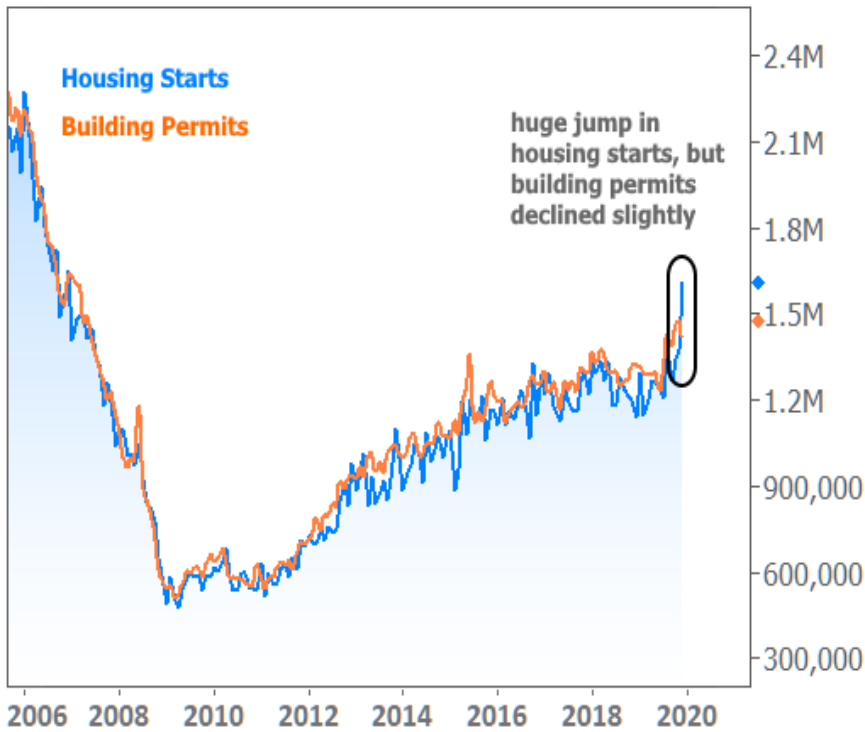
The last housing boom didn't end so well for many Americans. That "B" word is being thrown around again at the start of 2020, but things are very different this time around.

Why are people saying housing is booming?

Due to a combination of rising rates and economic uncertainty, housing entered a bit of a lull in 2018 and didn't really begin to pull out of it until rates began to drop in 2019. In the second half of the year, that recovery transitioned to something more aggressive and many housing metrics surpassed their previous highs for this cycle.

Now at the beginning of 2020, a few pieces of data have shot up at a surprisingly fast pace. This week's examples include housing starts (a term that refers to the ground-breaking phase of new construction, after a builder has obtained permits) and mortgage applications.

The following chart shows housing starts and building permits. Notice the surge in starts even as permits declined slightly.



National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.07%	+0.02	0.00
15 Yr. Fixed	6.45%	0.00	0.00
30 Yr. FHA	6.51%	+0.02	0.00
30 Yr. Jumbo	7.26%	0.00	0.00
5/1 ARM	7.02%	-0.01	0.00
Freddie Mac			
30 Yr. Fixed	6.86%	-0.01	0.00
15 Yr. Fixed	6.16%	+0.03	0.00

Rates as of: 6/28

Freddie Mac

30 Yr. Fixed	6.86%	-0.01	0.00
15 Yr. Fixed	6.16%	+0.03	0.00

Rates as of: 6/28

Market Data

	Price / Yield	Change
MBS UMBS 5.5	98.49	-0.45
MBS GNMA 5.5	99.10	-0.44
10 YR Treasury	4.3951	-0.0029
30 YR Treasury	4.5645	+0.0005

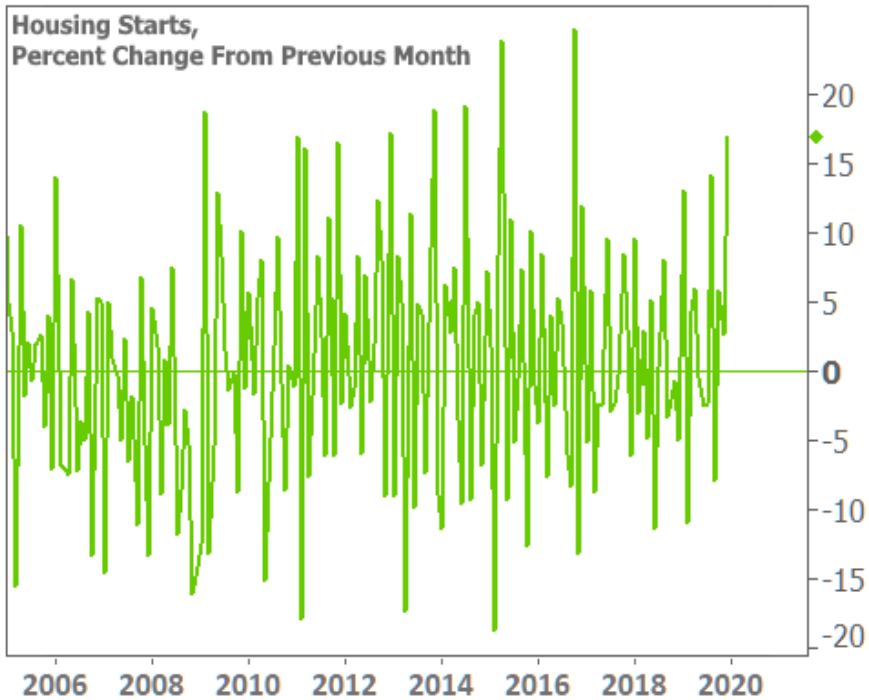
Pricing as of: 7/1 2:49AM EST

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%
Builder Confidence	Mar	51	+6.25%

US Housing Market Weekly

To be sure, this is a blowout result for housing starts, but the chart makes it look **more dramatic** than it is for a variety of reasons. First off, the improvement over the previous month was totally in line with other super strong months over the past decade. In fact, 5 months were clearly stronger and another 4 months were right in line.



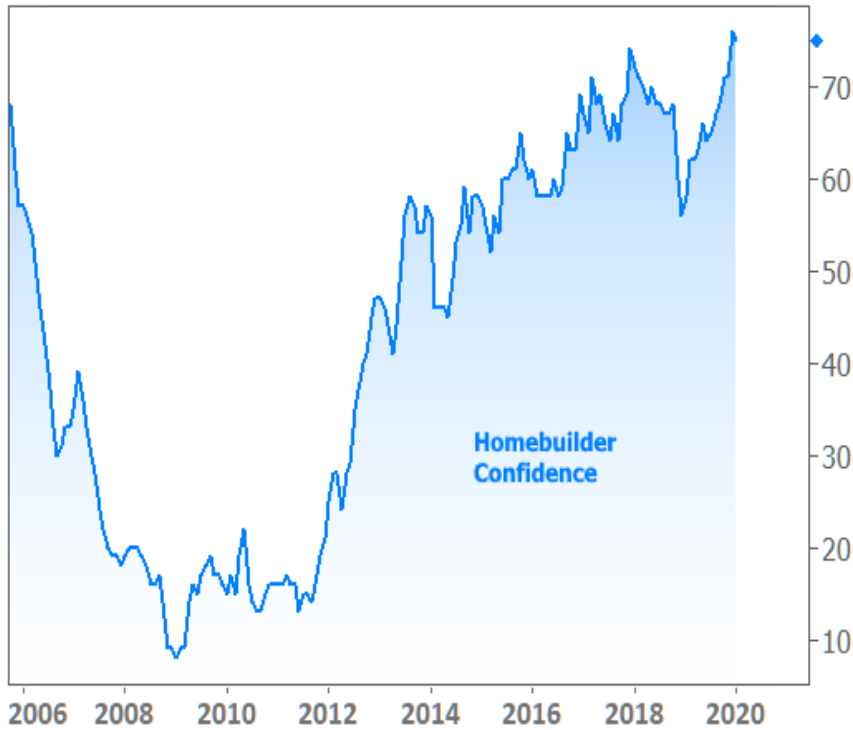
But even this is no reason to discount a move up to the **best level in more than 13 years**--not the best reason anyway. The very best reason has to do with the composition of the report and seasonal adjustments. Builders were able to get a lot more done this December compared to Decembers past. Because December is typically one of the slowest construction months, the seasonal adjustment provides a major amplification of actual numbers. If the actual numbers find a way to be much better or worse than normal, the large seasonal adjustment will only exaggerate the move. And this December was much better than normal!

If housing starts were strong in December, isn't that still a good thing? Indeed it is, but it's not the whole story. Multifamily starts accounted for much of the improvement (also not a bad thing, but single-family construction is much more important). Beyond that, we need to look at **WHY** December was so good. In this case, it could be as simple as the weather being much more agreeable than normal in many parts of the country.

So to recap: better than normal weather combined with the typically large seasonal adjustment factor to boost decent single-family homebuilding and excellent multi-family construction to exceptionally strong levels. If all this leaves you a bit skeptical, consider the fact that non-adjusted single-family construction actually **DECREASED** slightly month-over-month.

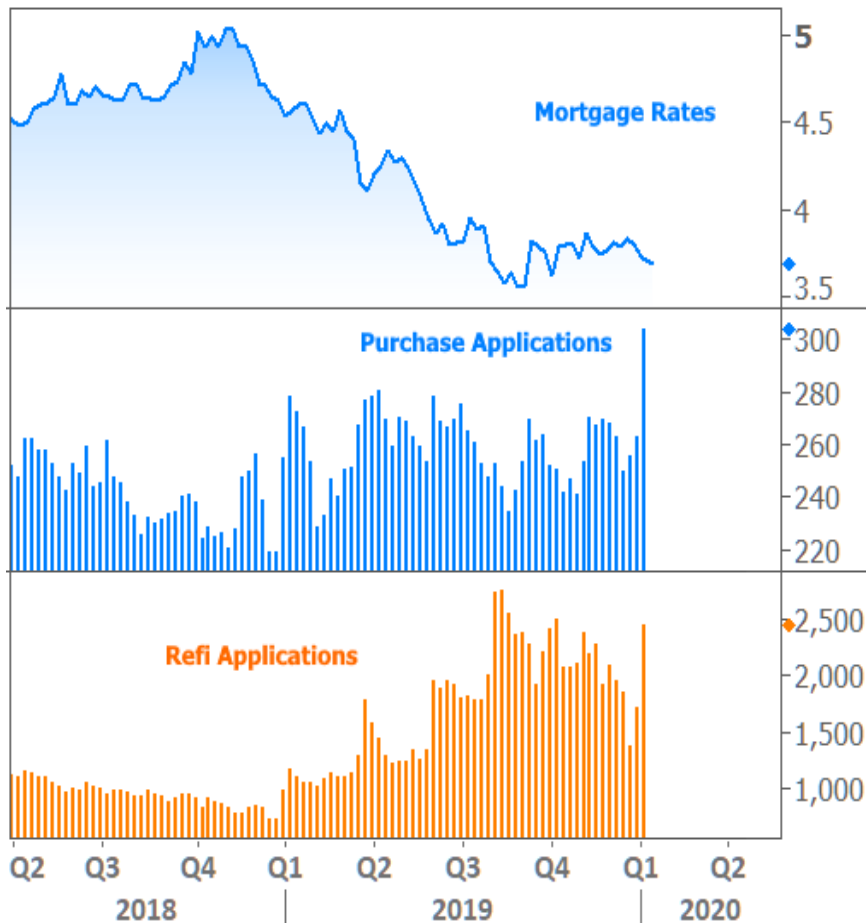
Why are you trying to rain on the housing market parade?

This is merely an attempt to put sensational headlines in context. **Housing is definitely doing great**, but it's **BEEN** doing great (which is why I [called attention to it back then](#))! The jump in building permits was clearly established by September, and they've remained elevated since then, waiting for housing starts to catch up. Reports like Homebuilder Confidence (updated again this week) have done a better job of capturing the steady improvement throughout 2019 and into the new year.



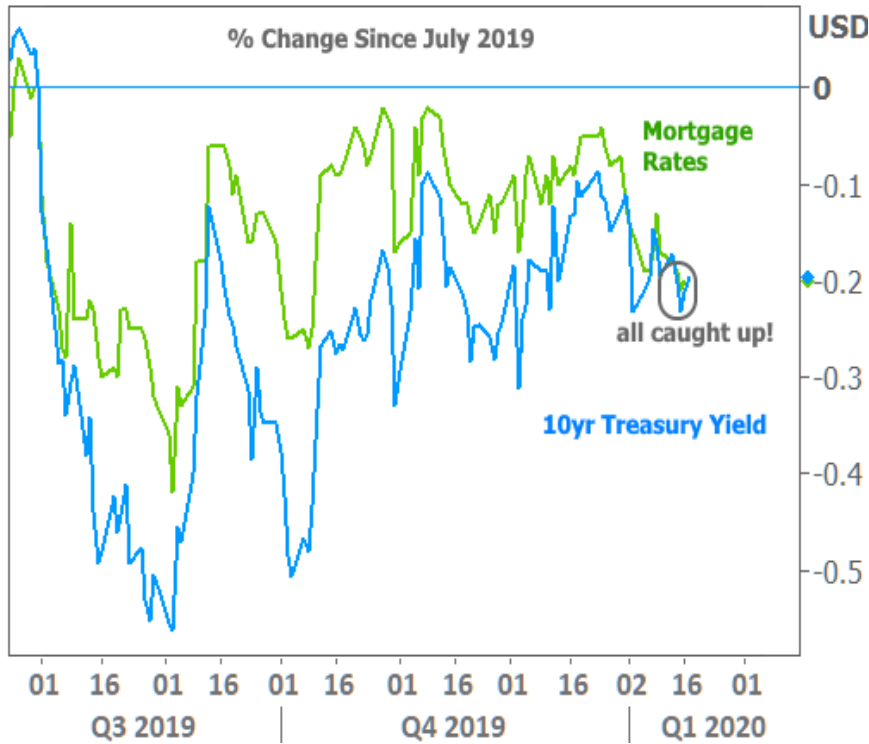
But what about mortgage applications?

Indeed, mortgage demand surged last week (in numbers reported this week), and in this case there are fewer caveats. The chart really speaks for itself (and it's NOT seasonally adjusted).



Part of the surge can be chalked up to the holiday calendar in late 2019. With Christmas and New Year's Day both falling on Wednesdays this year, last week was the first uninterrupted business week we've had since Dec 13-17. Other factors include the stock market surging to new all-time highs heading into 2020 creating a "wealth effect" that can stimulate homebuying activity, and persistently low interest rates.

Mortgage rates, specifically, have been doing very well relative to the broader interest rate market. The following chart shows the change in mortgage rates versus 10yr Treasury yields since July 2019. At the time, Treasury rates dropped much quicker than mortgage rates, but as of this week, the gap has finally been closed.



Subscribe to my newsletter online at: <http://housingnewsletters.com/rateshopkc>

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



