



Mike Baker

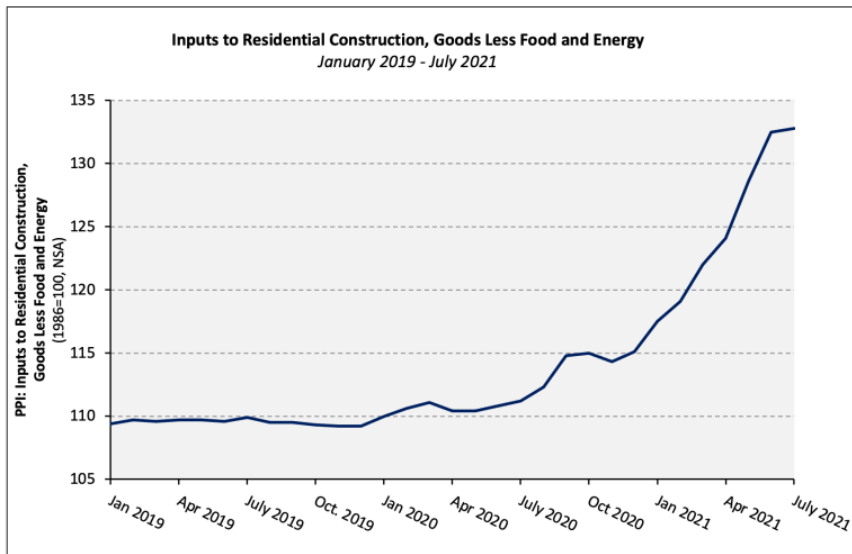
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Construction Material Costs are Setting New Records

Even though lumber prices have recently declined, the National Association of Home Builders (NAHB) says **builders are facing some of the fastest increases of other building material costs in history**. The latest Producer Price Index (PPI) from the Bureau of Labor Statistics (BLS) shows an 0.2 percent increase in the prices of goods used in residential construction (with the exception of food and energy costs) in July. Those costs had increased 3.0 percent in June.

David Logan posted in NAHB's Eye on Housing blog that the BLS index shows those building costs have declined only twice since December 2019 and have climbed by 19.4 percent over the past 12 months. As an aside, when food and energy are included, the index is up 22.3 percent year-over-year.



For the year-to-date (YTD), the index shows a 13 percent increase as compared with only 1.1 percent for the same period last year. The 2020 YTD figures **was apparently not a COVID-19 induced aberration**; Logan says the average change in the index for the same seven month period from 2015 through 2019 was 1.2 percent.

National Average Mortgage Rates



	Rate	Change	Points
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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

Mortgage Bankers Assoc.

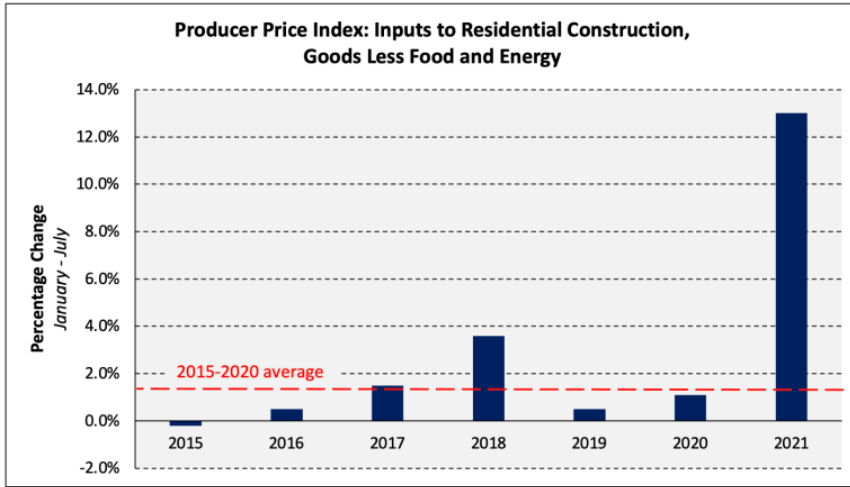
30 Yr. Fixed	7.02%	-0.05	0.65
15 Yr. Fixed	6.60%	-0.15	0.55
30 Yr. FHA	6.87%	0.00	0.92
30 Yr. Jumbo	7.18%	-0.03	0.54
5/1 ARM	6.45%	+0.08	0.81

Rates as of: 6/28

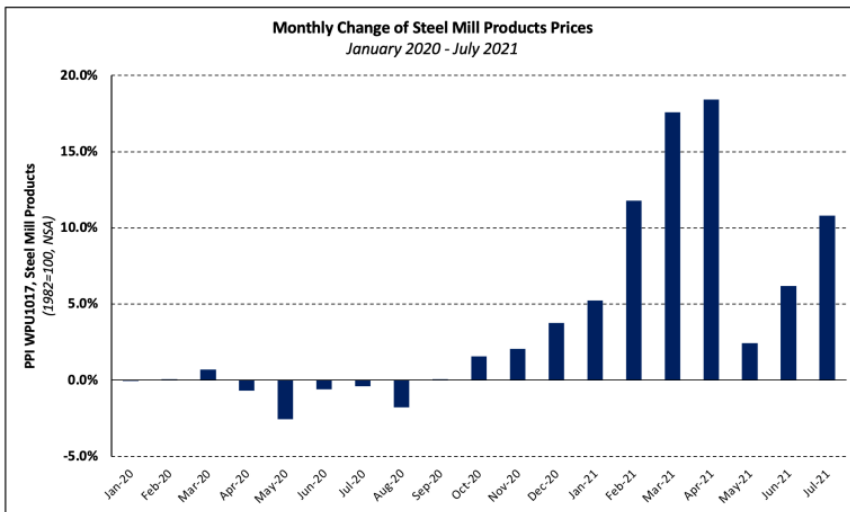
Recent Housing Data

		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%

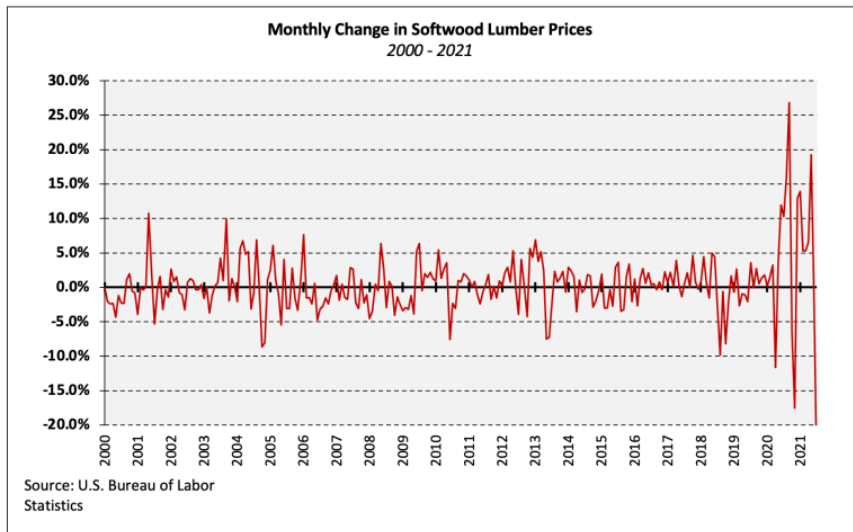
		Value	Change
Builder Confidence	Mar	51	+6.25%



Prior to May, the PPI for steel products had accelerated each month for eight months. In fact, Logan says there were only three times in the 80 years ended in 2020 that steel mill prices increased by more than 10 percent in a single month. That has happened four times thus far in 2021. After the respite in May (with only a 2.4 percent increase) the climb resumed in June and July with gains of 6.2 percent and 10.8 percent, respectively.



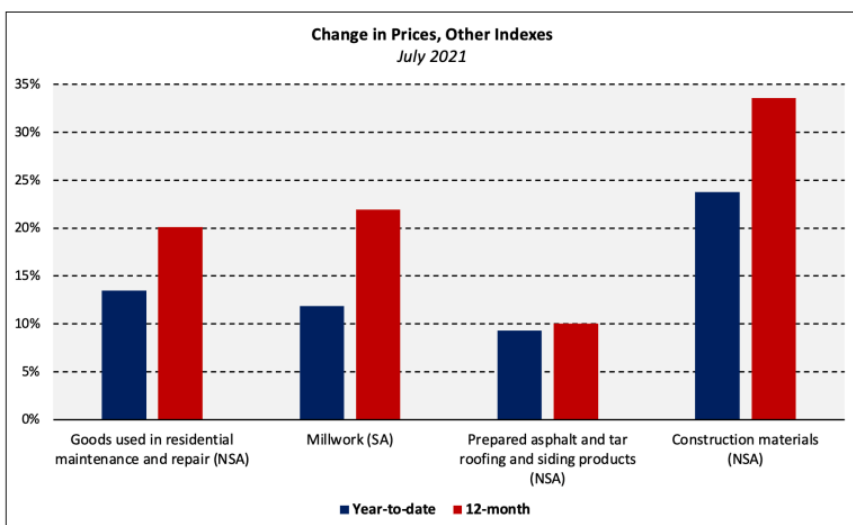
The increase in the price of lumber products has gotten most of the press, however the BLS says softwood prices fell 29.0 percent in July (seasonally adjusted), the largest monthly decline in records dating back to 1947 and nearly three times the previous record (-10.7 percent) in April 1980. Prices are still 71.9 percent higher than in January of last year and Logan says that the volatility of lumber prices is still a concern. **It remains at an all-time high for a 12-month period.**



Prices for other products have also increased. Gypsum products were up 2.5 percent in July, 15.8 percent YTD and 21.7 percent (non-seasonally adjusted) over the previous 12 months, the largest such growth since July 2006.

Prices paid for ready-mix concrete were unchanged in July (seasonally adjusted) after increasing 1.1 percent in June. Some of those increases, however, have been problematic on a regional basis. Regional changes have tended to balance out month-to-month but price gains in the Northeast and West have far outpaced those in the Midwest and South over the past four years. **Since July 2017, prices paid for ready-mix concrete have increased by roughly 20 percent** in those two regions but only 9 percent in the Midwest and South.

Logan recaps changes in other building products in the chart below. He notes that the Construction Materials index is particularly salient as Congress nears agreement on an infrastructure package. It is more heavily weighted with products used in large amounts in building "traditional" infrastructure like roads, rail, and bridges and that could drive prices higher for all construction projects.



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.

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