



Stephen Moye

Sales Manager/Senior Loan Officer NMLS:
268619/CA-DBO268619, New American Funding Corporation. NMLS: 6606, Equal Housing Lender
Licensed by the Department of Business Oversight

Under the California Residential Mortgage Lending Act
CA-DBO268619 Corp. NMLS: 67180 Equal Housing Lender
1615 Murray Canyon Road #1050 San Diego, CA 92108

Office: 619-309-1678
Mobile: 619-895-8128
Fax: (619) 793-1026
stephen.moye@nafinc.com
[View My Website](#)

Affordability Now Biggest Concern as Metro Home Prices Rise

Single family home prices increased during the third quarter of 2018 in 93 percent or 166 of the 178 metropolitan areas tracked by the National Association of Realtors® (NAR). NAR's quarterly report on existing home sales and metro area prices again faults the low level of moderately priced homes for stifling home sales and continuing to drive prices higher. None-the-less, there was a **tiny bit of deceleration noted in the third quarter report.**

NAR says the national median price for an existing single-family home was \$266,900, an increase of **4.8 percent from the third quarter 2017** median of \$254,700. This is a 0.1 point smaller rate of increase than in second quarter. The number of metro areas with double digit increases also declined, from 24 in the second quarter to 18 in the third.

Lawrence Yun, NAR chief economist, says low inventory persisted in suppressing the market during the third quarter. "Though inventory is more than adequate on the upper-end market, the insufficient supply of low to mid-priced homes in metro markets with strong job growth continues to drive up prices and push prospective buyers out of the market," he said.

Quarterly sales of existing homes nationwide, including single family homes and condos, were at a seasonally adjusted annual rate of 5.272 million, a **2.6 percent decline** from the 5.413 million in the second quarter and down 2.4 percent from the 5.403 million unit pace in the third quarter last year.

"A strong economy and consistent job growth should be driving up home sales; however, would-be homebuyers are struggling to find a home they can afford," said Yun. "As mortgage rates continue to rise, reaching the decade's highest rates this quarter, an increase in the supply of affordable homes has become even more important to help temper price growth across the country."

While not near what is considered a normal level, **inventories have recently ticked slightly higher.** At the end of the third quarter, there were 1.88 million existing homes available for sale, 1.1 percent more than a year earlier. This translates to a 4.3 month supply at the current pace of sales compared to 4.2 months in the third quarter of last 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% |

Even with an increase in the median family income to \$76,608, overall affordability decreased from a year ago because of higher mortgage rates and 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 \$64,480, while a 10 percent down payment would require an income of \$61,086, and \$54,299 would be necessary for a 20 percent down payment.

| | | Value | Change |
|---------------------|-----|-------|--------|
| Pending Home Sales | Feb | 75.6 | +1.75% |
| Existing Home Sales | Feb | 3.97M | -0.75% |
| Builder Confidence | Mar | 51 | +6.25% |

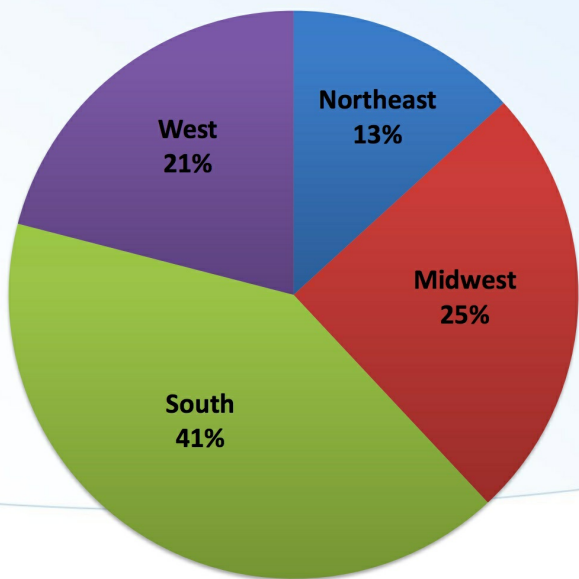
"Aspiring middle-class home buyers continue to face affordability issues, as buyers are increasingly being priced out in the West while the rest of the country struggles, too," said Yun. "The market desperately needs homebuilders to begin constructing more moderately priced single-family home and condominiums to help satisfy demand and mitigate rapid price growth."

The five most expensive housing markets in the third quarter were the San Jose, metro area, where the median existing single-family price was \$1,300,000, the San Francisco metro at \$989,000, Anaheim-Santa Ana was third at \$830,000. Urban Honolulu and San Diego round out the list with medians of \$818,600 and \$650,000 respectively.

The five lowest-cost metro areas in the second quarter were Youngstown Ohio, \$97,600; Decatur, Illinois, \$102,800; Cumberland, Maryland, \$110,300; Wichita Falls, Texas, \$115,600; and Elmira, New York, \$121,600.

NAR's survey of condo and cooperative prices in 61 metro areas found the median price was up 2.3 percent from a year earlier to \$244,100. Eighty-two percent of metro areas showed gains in median condo prices from a year ago.

Existing Home Sales by Region



Total existing-home sales in the **Northeast** were at an annual rate of 680,000 units, down 0.5% from last quarter and 3.8 percent year-over-year. The median existing single-family home price was \$301,500, 6.1 percent higher than a year ago.

In the **Midwest**, existing-home sales fell 0.3 percent in the third quarter and are 1.0 percent below a year ago. The median existing single-family home price in the Midwest grew 2.1 percent to \$206,800.

Existing-home sales in the **South** declined 4.4 percent quarter-over-quarter but eked out an annual gain of 0.3 percent. The median existing single-family home price gained 3.4 percent to \$234,300.

Third quarter existing home sales in the **West** decreased by 2.9 percent and are 7.9 percent below a year ago. The median existing single-family home price in the West increased 4.8 percent to \$395,500.

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