News Roundup

By Arnie Aurellano

In Brief

Existing-home sales fall again

Existing-home sales fell for a third consecutive month this past January, the National Association of Realtors (NAR) reported. The seasonally adjusted annualized total of 4.94 million existing-home sales was the lowest since November 2015, down 1.2 percent from December 2018 and down 8.5 percent compared to January 2018. Only the Northeast region posted a year-over-year uptick in sales in January. NAR economists, however, expected more buyers to enter the market in 2019 due to improved housing affordability.

New-home sales rebound to start year

Sales of new single-family homes ran at an annual pace of 713,000 units this past January, up 30 percent over the prior month and equating to the fastest sales pace since 2013, the Mortgage Bankers Association (MBA) reported. Mortgage applications for new-home purchases jumped 43 percent compared to December 2018, but were flat year over year. Several factors were cited for the surge in activity, including a strong job market, better wage growth, lower mortgage rates and moderating price gains.

More young adults choosing to live with parents

The percentage of young adults between ages 24 and 34 who are living with their parents has risen more than 10 percent from 2000 to 2017, according to the Urban Institute. Housing costs in metropolitan areas — where young adults tend to gravitate — are a notable driver of the trend, as is tight credit and student-loan debt. The trend doesn't bode well for the future of those young adults as homebuyers. Urban Institute's study found that young adults are less likely to form independent households and become homeowners a decade later, while those who move out earlier buy more expensive homes and carry lower mortgage debts.

Aging in place affecting housing supply

Freddie Mac's February Insight report revealed that 1.6 million more senior households are choosing to age in place compared to previous generations. Freddie Mac looked at three cohorts of seniors, separated by age, and all three were affecting housing supply by at least 250,000 units. Freddie Mac economists anticipate that even more homes will be kept off the market as more baby boomers reach retirement age, possibly keeping millennials as renters for longer periods.

Rising inventory a good sign

According to NAR's quarterly report, there were 1.55 million existing homes on the market at the end of fourth-quarter 2018, or 6.2 percent more than in fourth-quarter 2017. NAR economists were optimistic that increased inventory would help stabilize the market, but noted there remained a shortage of homes for sale, particularly in the lower-price tiers. The past decade saw housing starts lag far behind historically normal levels. Only 9.6 million new housing units were added during that time, compared to the estimated 15 million to 16 million needed to keep up with population growth. ■

Continued >>

In Numbers

The year-over-year drop in luxury-home sales volume in fourth-quarter 2018, the first time in more than two years that home sales at that price point fell

Source: **Redfin**

The rate of home-price growth in December 2018, the lowest rate since August 2012

Source: **CoreLogic**

The number of existing homes on the market at the end of 2018, up 6.2 percent compared to fourth-quarter 2017

Source: **National Association of Realtors**

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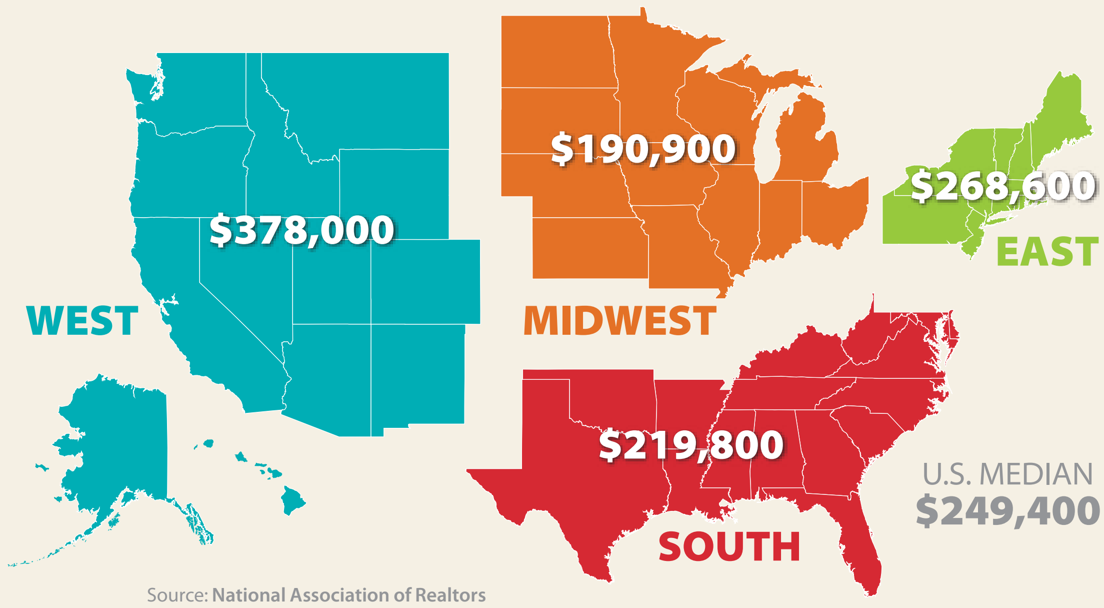
In View

U.S. Median Home Prices, January 2019



Source: National Association of Realtors

West leads pack in home prices

This past January, the median price of a home in the West region was $184,900 higher than the median price in the Midwest, $158,000 more than the South, $110,000 more than the Northeast and $129,000 more than the U.S. median, according to the National Association of Realtors (NAR). Home prices were cooling off in all regions, however. Year-over-year price gains in January were highest in the West at 2.9 percent, NAR said.

In Words

"Wages are growing on par with home prices for the first time in years, and with more inventory available, spring home sales should help the market begin to recover from the malaise of the last few months."

Sam Khater
Chief economist, Freddie Mac

"In particular, the lower end of the market is experiencing a greater shortage and more home construction is needed."

Daryl Fairweather
Chief economist, Redfin

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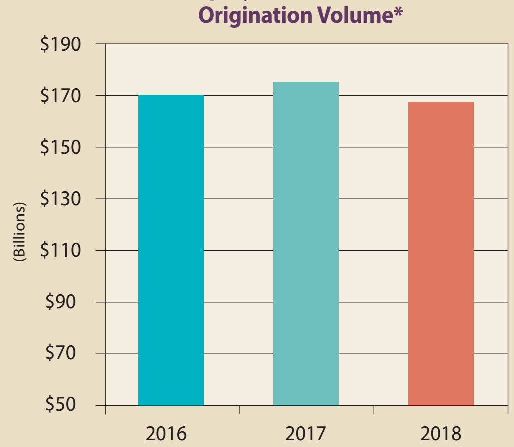
In Focus

Lenders extended a total of $168 billion in available credit via home equity lines of credit (HELOCs) in 2018, down 4 percent compared to the previous year, Experian reported. HELOC counts also were down 3.7 percent in 2018 compared to 2017, with an estimated 1.48 million lines opened during the calendar year, the company reported.

Home Equity Line of Credit (HELOC) Origination Volume*



*This refers to the available balances, in billions of dollars, extended in new HELOCs in each calendar year.

Source: Experian

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