Real estate daily market update: December 15, 2017

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Most recent market news

Friday, December 15

December 2017 Re/Max National Housing Report

- November became the sixth month of 2017 to post an increase in year-over-year home sales, bucking prolonged trends of home price increases and inventory declines.
- The sales increase of 1.1 percent came on the strength of increased transaction closings in 36 of the report's 54 markets. At the same time, buyers felt increasing headwinds as the Median Sales Price rose to $227,500 and marked the 20th consecutive month of year-over-year home price increases.
- Median Sales Price has increased year-over-year in 69 of the last 70 months dating back to February 2012.
- November's inventory decline of 14.5 percent extended the streak of consecutive months of fewer homes on the market to 108. The current streak started nine years ago, in November 2008.
- Setting new report lows for November were Days on Market at 54 and Months Supply of Inventory at 3.6

"The end of the year is typically a slower selling season with low inventory, but our numbers are telling a different story," said Adam Contos, Re/Max co-CEO. "We don't see any sign of home buyers slowing down their house hunting. In fact, many are taking advantage of lower competition for available homes in the 'slow season.'"

"Until we begin to see new homes being built, we won't see much growth in available homes on the market," he added.

Closed transactions

How to rope in more seller leads with Mega Agent Pro

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- Of the 54 metro areas surveyed in November 2017, the overall average number of home sales decreased 7.3 percent compared to October 2017 but increased 1.1 percent compared to November 2016.
- Thirty-six of the 54 metro areas experienced an increase in sales year-over-year, including Trenton, New Jersey, +21.3 percent; Augusta, Maine, +14.5 percent; Honolulu, Hawaii, +14.1 percent; and Manchester, New Hampshire, +14.0 percent.

Median sales price — Median of 54 metro median prices

- In November 2017, the median of all 54 metro Median Sales Prices was $227,500, up 1.7 percent from October 2017 and up 3.7 percent from November 2016.
- Only five metro areas saw a year-over-year decrease in Median Sales Price, including Anchorage, Alaska, -5.3 percent; Trenton, New Jersey, -4.2 percent; and Honolulu, Hawaii, -3.4 percent.
- Nine metro areas increased year-over-year by double-digit percentages, with the largest increases seen in San Francisco, California, +13.8 percent; Cleveland, Ohio, +12.9 percent; Orlando, Florida, +11.6; and Seattle, Washington, +11.4 percent.

Days on market — Average of 54 metro areas

- The average Days on Market for homes sold in November 2017 was 54, up three days from the average in October 2017, and down five days from the November 2016 average.
- The four metro areas with the lowest Days on Market were San Francisco, California, at 25; Omaha, Nebraska, at 27; Seattle, Washington, at 29; and Nashville, Tennessee, at 30.
- The highest Days on Market averages were in Augusta, Maine, at 116; and Miami, Florida, at 86.
- Days on Market is the number of days between when a home is first listed in an MLS and a sales contract is signed.

Months supply of inventory — Average of 54 metro areas

- The number of homes for sale in November 2017 was down 9.2 percent from October 2017, and down percent from November 2016.
- Based on the rate of home sales in November, the Months Supply of Inventory increased to 3.6 from 3.3 in October 2017, but decreased compared to the 4.0 of November 2016.
- A 6 months supply indicates a market balanced equally between buyers and sellers.
- In November 2017, 49 of the 54 metro areas surveyed reported a months supply at or less than 6, which is typically considered a seller's market.
- The metro areas that saw a months supply above 6.0, typically considered a buyer's market, were Augusta, Maine, at 8.4; Miami, Florida, at 7.6; and Fargo, North Dakota, at 6.5.
- The markets with the lowest Months Supply of Inventory continued to be in the West, with San Francisco, California, at 1.0; Seattle, Washington, at 1.3; and Denver, Colorado, at 1.4.

News from earlier this week

Thursday, December 14

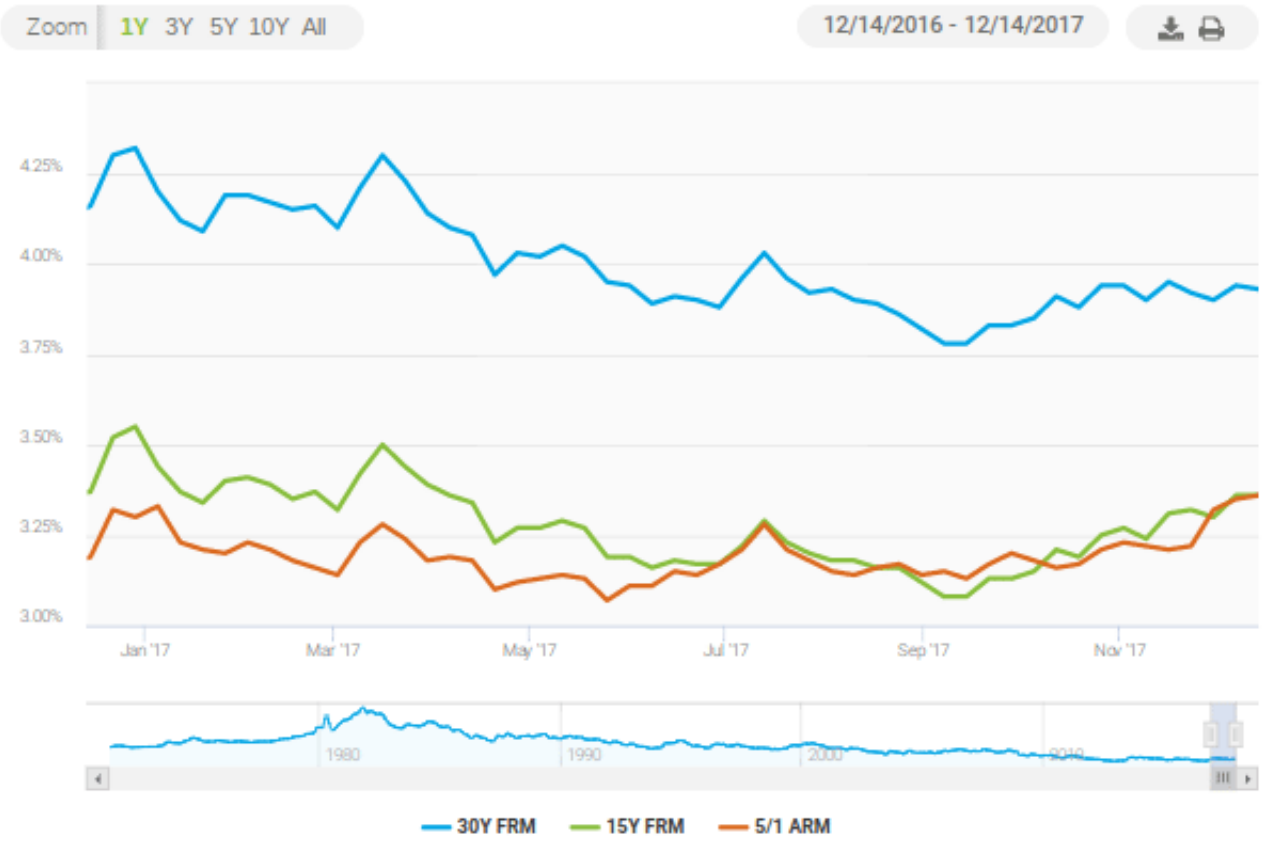
Freddie Mac Primary Mortgage Market Survey

- 30-year fixed-rate mortgage (FRM) averaged 3.93 percent with an average 0.5 point for the week ending December 14, 2017, down from last week when it averaged 3.94 percent. A year ago at this time, the 30-year FRM averaged 4.16 percent.
- 15-year FRM this week averaged 3.36 percent with an average 0.5 point, the same as last week. A year ago at this time, the 15-year FRM averaged 3.37 percent.
- 5-year Treasury-indexed hybrid adjustable-rate mortgage (ARM) averaged 3.36 percent this week with an average 0.3 point, up from last week when it averaged 3.35 percent. A year ago at this time, the 5-year ARM averaged 3.19 percent.

Primary Mortgage Market Survey®

U.S. weekly averages as of 12/14/2017

30-Yr FRM	15-Yr FRM	5/1-Yr ARM
3.93%	3.36%	3.36%
↓0.01 1-Wk	0.00 1-Wk	↑0.01 1-Wk
↓0.23 1-Yr	↓0.01 1-Yr	↑0.17 1-Yr
0.5 Fees/Points	0.5 Fees/Points	0.3 Fees/Points



“As widely expected, the Fed increased the federal funds target rate this week for the third time in 2017,” said Len Kiefer, deputy chief economist at Freddie Mac. “The market had already priced in the rate hike so long term interest rates, including mortgage rates hardly moved.

“Mortgage rates held relatively flat across the board, with the 30-year fixed mortgage rate inching down 1 basis point to 3.93 percent in this week’s survey. Mortgage rates have been in a holding

pattern for the fourth quarter, remaining within a 10 basis point range since October."

Wednesday, December 13

Mortgage Bankers Association's (MBA) Weekly Mortgage Applications Survey

- The Market Composite Index, a measure of mortgage loan application volume, decreased 2.3 percent on a seasonally adjusted basis from one week earlier.
- On an unadjusted basis, the Index decreased 4 percent compared with the previous week.
- The Refinance Index decreased 3 percent from the previous week.
- The seasonally adjusted Purchase Index decreased 1 percent from one week earlier.
- The unadjusted Purchase Index decreased 6 percent compared with the previous week and was 10 percent higher than the same week one year ago.
- The refinance share of mortgage activity increased to 52.4 percent of total applications, its highest level since January 2017, from 51.6 percent the previous week. The adjustable-rate mortgage (ARM) share of activity decreased to 5.6 percent of total applications.
- The FHA share of total applications increased to 11.8 percent from 11.1 percent the week prior.
- The VA share of total applications decreased to 10.3 percent from 10.7 percent the week prior.
- The USDA share of total applications decreased to 0.7 percent from 0.8 percent the week prior.
- The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances ($424,100 or less) increased to 4.20 percent from 4.19 percent, with points decreasing to 0.39 from 0.40 (including the origination fee) for 80 percent loan-to-value ratio (LTV) loans.
- The average contract interest rate for 30-year fixed-rate mortgages with jumbo loan balances (greater than $424,100) decreased to 4.11 percent from 4.16 percent, with points unchanged at 0.28 (including the origination fee) for 80 percent LTV loans.
- The average contract interest rate for 30-year fixed-rate mortgages backed by the FHA increased to its highest level since April 2017, 4.13 percent, from 4.11 percent, with points decreasing to 0.39 from 0.40 (including the origination fee) for 80 percent LTV loans.
- The average contract interest rate for 15-year fixed-rate mortgages increased to its highest level since March 2017, 3.61 percent, from 3.59 percent, with points decreasing to 0.44 from 0.48 (including the origination fee) for 80 percent LTV loans.

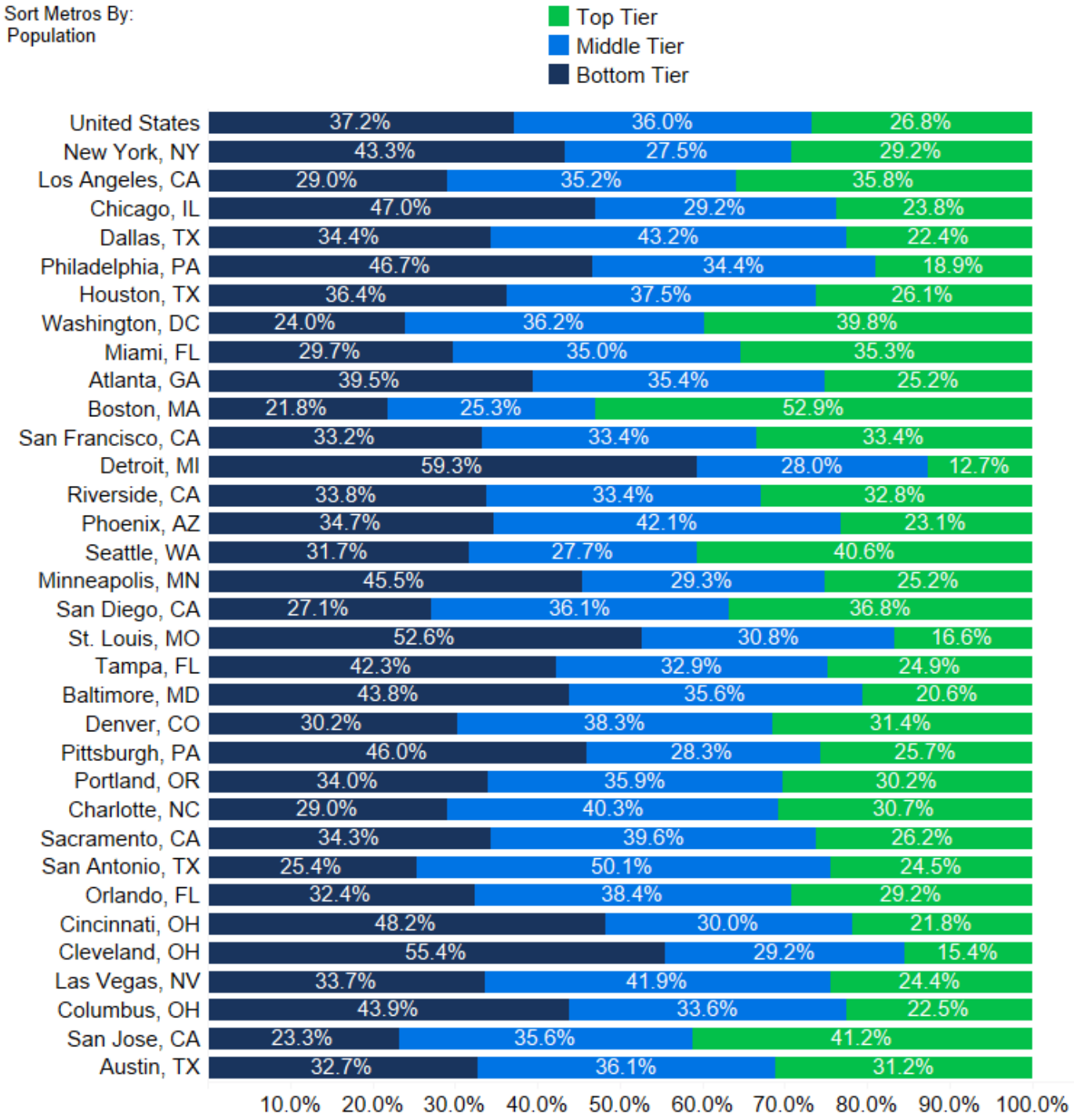
Zillow analysis of U.S. Census Bureau's Current Population Survey: Single-family rentals increasingly concentrated among bottom-tier homes

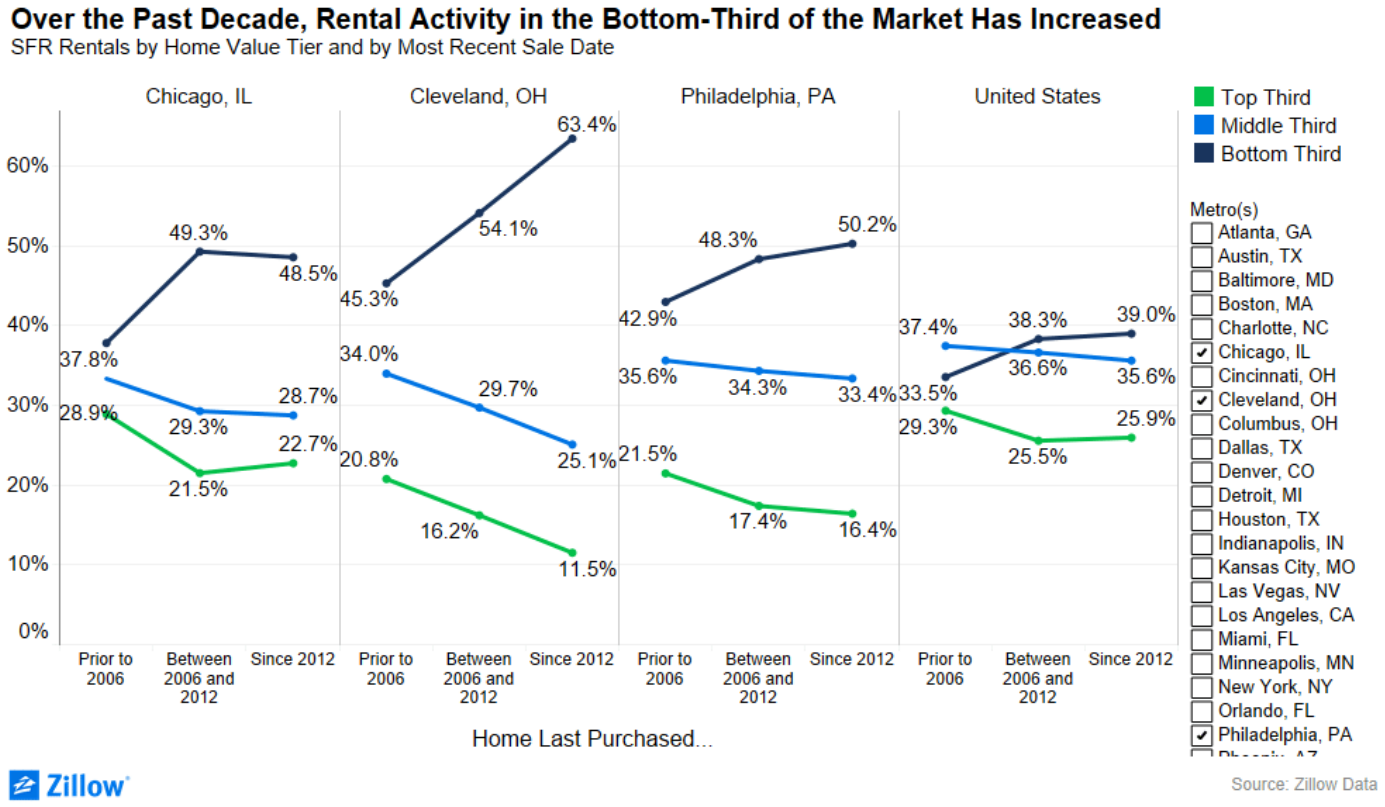
- Single-family rental boom lowered annual home sales by 270,000 homes.
- Across the United States, starter homes are slightly more likely than more valuable homes are to be rented out.

- After steadily increasing over the past decade, the share of single-family homes that are rented edged slightly lower to 18.9 percent in early 2017, down from a high of 19.2 in 2016.
- Rental houses purchased in recent years are more likely to be affordable starter homes than those purchased before 2006.
- Over the past decade, rental activity in the bottom-third of the market has increased.
- Comparing single-family rentals by when they were last sold, 39 percent of SFR rentals purchased by their owner since 2012 are in the bottom third of the market, compared to 33.5 percent of single-family rentals last sold prior to 2006.

Single-Family Rentals Concentrated in the Bottom Tier

Share of single-family rentals in the bottom, middle and top tiers of home values





“For the past 10 years, the number of single-family homes that are rented has grown steadily and remains near the highest levels ever recorded,” said Zillow senior economist Aaron Terrazas.

“The combination of foreclosures and growing rental demand following the housing crash was an attractive opportunity for investors — large and small — who were able to buy foreclosed homes and use them to meet the rental demand. At the same time, many long-time owners have opted to hold onto their homes as rentals even after they decide to move somewhere else.

“With such a large portion of single-family homes being rented out, and with new homes being built more slowly than the market needs, home values will continue to rise, particularly among the most affordable homes with the highest demand.”

Tuesday, December 12

Mortgage Bankers Association (MBA) Builder Applications Survey (BAS)

- Mortgage applications for new home purchases increased 12.2 percent compared to November 2016.
- Compared to October 2017, applications decreased by 6 percent relative to the previous

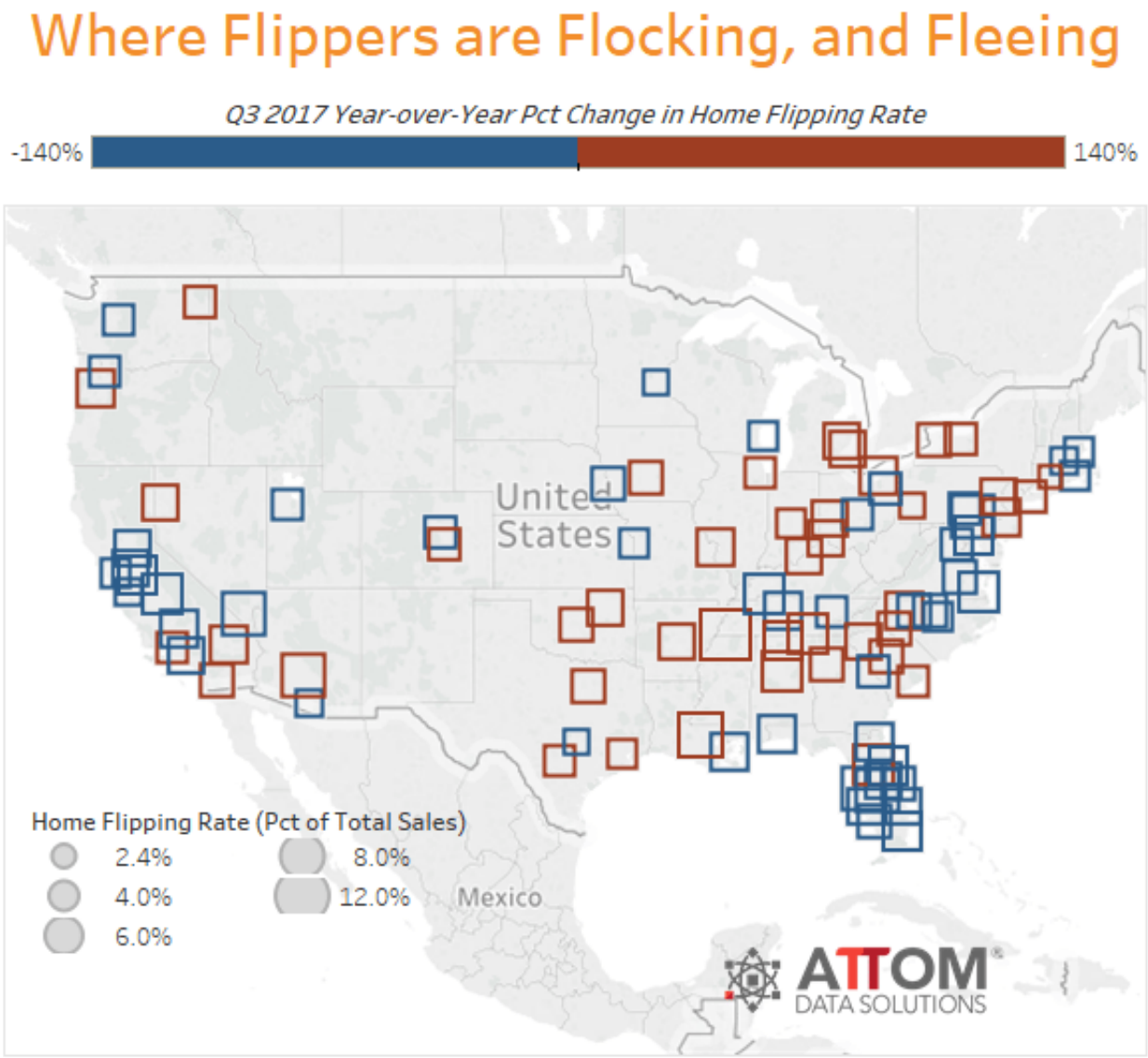
month. This change does not include any adjustment for typical seasonal patterns.
- The seasonally adjusted estimate for November is an increase of 0.6 percent from the October pace of 659,000 units.
- On an unadjusted basis, the MBA estimates that there were 47,000 new home sales in November 2017, a decrease of 11.3 percent from 53,000 new home sales in October.
- By product type, conventional loans composed 71.4 percent of loan applications, FHA loans composed 15.2 percent, RHS/USDA loans composed 1.1 percent and VA loans composed 12.3 percent.
- The average loan size of new homes decreased from $339,534 in October to $337,427 in November.

“New homes sales continued to recover in November from the impact of hurricanes, up just a bit on a seasonally adjusted basis over the month, and nearly 13 percent higher than a year ago, according to our projections from monthly application activity,” said Lynn Fisher, MBA vice president of research and economics.

“Looking ahead to 2018, filling open construction jobs will remain a main challenge for the homebuilding industry.”

ATTOM Data Solutions Q3 2017 U.S. Home Flipping Report

- Single family homes and condos flipped in the third quarter yielded an average gross flipping profit of $66,448 per flip, representing an average 47.7 percent return on investment for flippers — down from 48.7 percent in the previous quarter and down from 51.2 percent in Q3 2016 to the lowest average gross flipping ROI since Q2 2015.
- The report also shows that 48,685 single family homes and condos were flipped nationwide in the third quarter, a home flipping rate of 5.1 percent — down from 5.6 percent in the previous quarter and unchanged from a year ago.
- Year-to-date through the third quarter of 2017 a total of 153,727 single family homes and condos nationwide have been flipped, nearly equal with the 153,854 flipped through the first three quarters of 2016, when the number of homes flipped increased to a 10-year high.



“Home flipping profits continue to be squeezed by a dwindling inventory of distressed properties available to purchase at a discount and increasing competition from fair-weather home flippers often willing to operate on thinner margins,” said Daren Blomquist, senior vice president at ATTOM Data Solutions.

“A more than nine-year low in the ratio of flips per investor is evidence of this increased competition, which is pushing many investors to new metro areas that often have weaker market fundamentals but also come with a bigger supply of discounted distressed properties to flip.”

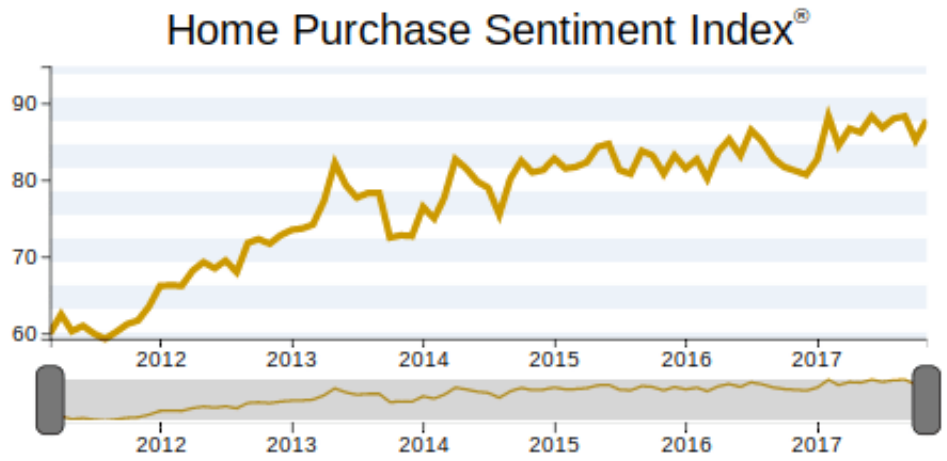
For the report, a home flip is defined as a property that is sold in an arms-length sale for the second time within a 12-month period based on publicly recorded sales deed data collected by

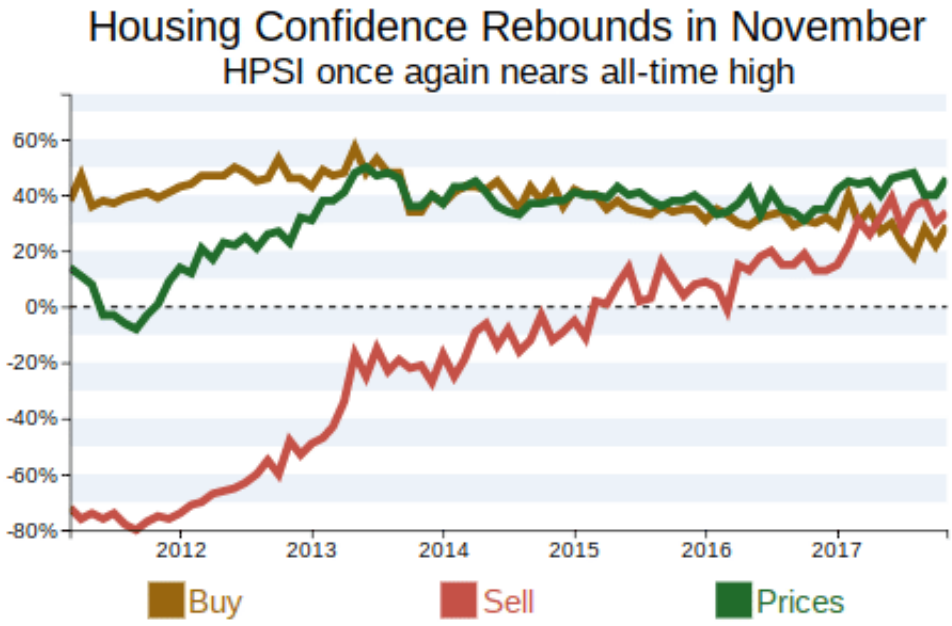
ATTOM Data Solutions in more than 950 counties accounting for more than 80 percent of the U.S. population (see full methodology below).

Monday, December 11

Fannie Mae Home Purchase Sentiment Index (HPSI)

- Fannie Mae's 2017 Home Purchase Sentiment Index (HPSI) increased in November by 2.6 points to 87.8. The HPSI is up 6.6 points compared with the same time last year.
- The net share of Americans who say it is a good time to buy a home increased 7 percentage points to 29 percent, erasing last month's 6 percentage point drop.
- The net percentage of those who say it is a good time to sell a home increased by 4 percentage points to 34 percent.
- The net share of Americans who say that home prices will go up rose 6 percentage points to 46 percent in November.
- The net share of those who say mortgage rates will go down over the next 12 months fell 5 percentage point to -51 percent.
- The net share of Americans who say they are not concerned about losing their job rose by 4 percentage points to 74 percent.
- The net share of Americans who say their household income is significantly higher than it was 12 months ago remained unchanged at 14 percent.





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