Market Minute: April 22, 2019

Housing/Real Estate Market

California home sales & median price moderate in March: Home sales were essentially flat (down 0.2%) when compared to February, but decreased by 6.3% when compared to last year. This suggests a continued drop in sales on a year-over-year basis, but at a more moderate pace than what was observed a couple of months ago. Similarly, the median home price seems to be flattening out. It reported its smallest growth (0.2%) in the last seven years on a year-over-year basis.

Majority of first-time homebuyers (61%) are struggling to find affordable housing: A survey conducted early this year by Lending Tree of adults 22 or older thinking about entering the housing market, revealed that finding a home that fits their price range along with high interest rates has made the budgeting part of homeownership the biggest challenge and stressful part of the process.

Builder confidence edges higher in April: The National Association of Home Builders (NAHB) reported that despite grappling with affordability concerns (mainly due to a shortage in construction workers and buildable lots), builders gained slight more confidence in the demand for new single-family homes which rose their sentiment level by 1 point to 63 in April.

Housing starts get off to a slow start this spring: While builders broke ground on about the same number of homes in March as they did in February, the pace of construction as reported by the U.S. Census Bureau and U.S. Department of Housing and Urban Development, fell by 14.2% from a year ago. Building permits also fell on both a monthly (1.7%) and annual (7.8%) basis, but remain well above housing starts and suggest a pick up in building activity later this year.

Macro Economy

Hiring improves in March but remains modest for the golden state: Employers added 24,500 new jobs in March trailing an increase of 20,900 the prior month and despite California’s unemployment rate rising to 4.3%, after remaining flat at 4.1% for six months, the golden state’s economy continues to see solid gains.

Industrial production still struggling: The U.S. industrial sector reported being down 0.1% on total production for the month of March, which is not all that bad, but missed Wall Street’s expectations that production would at least hold steady. On the bright side, while industrial production remains weak for the beginning portion of the year, it’s still does not suggest market deterioration.

Trade gap drops 3.4% in February: The deficit receded to $49.9 billion from a revised $51.1 billion in January. Higher exports (1.1%) and a slower growth in imports (0.2%) were the playing factors that shrunk the trade deficit. This decline should give a bigger-than-expected boost to the first-quarter GDP figures being released next week.

March retail sales surge: The U.S. Department of Commerce reported a gain of 1.6% in retail sales for the month of March, which underperformed last year standards. However, auto sales and gas prices seemed to have given retail sales a boost and it overperformed most expectations.
Despite gain, the U.S. Leading Economic Index® (LEI) likely to moderate: The Conference Board’s LEI has shown signs of growth for the past 2 months, but very moderately. Despite a relatively large gain in March (0.4%) following a (0.1%) in February, the trend suggests that growth in the U.S. economy is decelerating.

Real Estate Finance

Mortgage rates continue to rise: After a sharp drop by late March, rates have gradually been increasing since then. Last week marks the third consecutive week of rising rates to 4.17%, but despite this sales reached a nine-year high (nationally), which might suggest a solid beginning to the spring homebuying season.

Mortgage applications fall as refis dwindle: Overall, mortgage applications dropped by 3.5% last week. However, all of the decline was driven by fewer refinancing applications. In fact, purchase applications rose 2% suggesting that although the Spring homebuying season will not show significant growth, it will not be the disaster implied by the media or by February’s large decline either.

Hispanics more than twice as likely to have FHA loan: The National Association of Hispanic Real Estate Professionals (NAHREP), issued their report on the state of Hispanic homeownership and it concluded that while Hispanic households accounted for 32.4% of total household formation, it is projected to increase by 4.6 million households between 2015 and 2025. However, it also found that Hispanics are more likely to pay for mortgage insurance premiums (PMI) as they are more than twice as likely (42.8%) to have an FHA loan than a non-Hispanic.